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EDITORIAL

As We See It

Another "Hoover Commission" is about to begin a two-year study of the Federal Government and its functions leading to recommendations. It will be recalled that some half dozen years ago ex-President Hoover performed a somewhat similar service for President Truman. Certain of his recommendations (not always unaltered) were enacted into law; others have not. The terms of reference of that Commission limited it to suggestions for changes in the organization of the Federal Government designed to improve the effectiveness and efficiency of its operations.

Although the matter is not at all points as clear and specific as it might be, the "Hoover Commission" now about to start functioning will work under broader terms of reference. According to word from Washington, it will consider a good deal more than the old body was permitted to take into account, including some questions which have to do with whether or not functions now undertaken by the Federal Government are really appropriate governmental duties. It will also, according to dispatches from Washington, take under advisement the wisdom or appropriateness of turning over to state and local governments some of the activities of the Federal Government—and, one must suppose, the desirability of the Federal Government simply discontinuing some of its present activities.

At this stage and with the information at present in hand, it is not possible to know precisely how far the Commission is expected to go in these matters or how much weight its findings are likely to have with the politicians who—with deep regret be it said—control final action. It may be said

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Additional Commentaries On "United Nations" Article

In his article "An Inside View of the United Nations" which appeared in the "Chronicle" of July 2, William A. Robertson, Member of the New York Bar, described the political conditions that have prevailed (and still prevail) among those countries which are currently, or within the past six years have been, Governors of the World by virtue of holding seats in the Security Council of the United Nations. Mr. Robertson detailed the record of political instability, featured by wars, revolutions and revolts, for each country and contended that in view of the record, it is worse than futile to expect them to make any contribution to the peace objective of the United Nations.

The "Chronicle" of July 23 contained some of the letters received relative to the views and opinions expressed by Mr. Robertson. More are given today and others will appear in later issues.—EDITOR.

HON. USHER L. BURDICK
U. S. Congressman from North Dakota

Mr. Robertson has brought out facts which, while known, give us a clear picture of what can happen in a world government, which the United Nations is fomenting.

Sen. U. L. Burdick

The Security Council today is made up of many countries which have no stability of their own. The powers in control got there by revolution and *coup d'etats* or other reversals of policy, and of course their tenure continues only until the next revolution; and history shows that these revolutions are so numerous that it would be difficult to tell, at any given moment, who is in control of their governments.

Do the people of the United States, who for 156 years guarded and protected the only absolutely people's government on earth, want to trust the destiny of this great republic to temporary revolutionists? I am sure the people of this country, when fully

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Profit Margins in A Buyers' Market

By THOMAS D. SEARS
Investment Counsel
Santa Barbara, Calif.

Mr. Sears discusses changes in margins of profit in various major industries, with particular emphasis on those groups which have already gone through some adjustment. Finds capital goods industries maintaining the least erosion of profit margins, because of sales volume, but foresees increased flood of production in these lines producing pattern already set in textile, drug and distilling industries, in which full competitive markets cause lower profit margins.

The season of annual corporation meetings and reports has recently drawn to a close. During the spring months, corporation managements have presented accounts of their stewardship to stockholders and, in the usual guarded language, have sometimes stated opinions of the business prospect in the period which lies ahead. While for the most part, these statements are more remarkable for what is not said than for what is expressed, there has been, nonetheless, a frequently recurring refrain with reference to narrower profit margins and more keenly competitive markets. More often than not, these postulations are found to be reflecting trends which have been operative for many months but have been hidden from casual or superficial view by taxes and other considerations peculiar to this extraordinary period.

Thomas D. Sears

In the minds of many whose business it is to seek out, interpret and to evaluate such phenomena in the economic and business world, these references to increasing competition and the return of a "buyers' market" are deserving of more attention from investors than they have received to date. Several industries have already felt the effects of over-supply of

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 31.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Easton Trust Co., Easton, Pa., Capital Stock — Hubert F. Atwater, Gammack & Co., New York City. (Page 2)

Tucson Gas Electric Light & Power Co. Common Stock — Carl Stolle, President, G. A. Saxton & Co., Inc., New York City. (Page 2)

HUBERT F. ATWATER

Gammack & Co., New York City

Easton Trust Company, Easton, Pennsylvania, Capital Stock

The Easton Trust Co., Easton, Pa., is a State Bank founded in 1890 and may well have been one of the institutions to which a prominent Boston bank officer referred when he complained that many bank shares are selling at a price to indicate that the buyers hope for an early liquidation. There is no sign that the Easton Trust Company, after 63 years, intends to retire from a business which is profitable and growing.

Hubert F. Atwater

The Capital, Surplus, Undivided Profits and Reserves (excluding reserve for Income Taxes) on June 30, 1953, amounted to $1,756,427.83. The Capital Stock, 27,500 shares of $10 par value, was increased from 25,000 shares last January when a 10% stock dividend in addition to the regular $1 cash dividend was paid. This was followed by the payment of 50c cash in July, so that the dividend paid in 1953 was at the same rate as in 1952.

In the first half of 1953 earnings were $2.40 per share on the increased number of shares and book value was $63.87 per share on June 30, or more than 50% above market value.

The record of earnings, dividends and book value for each of the last five calendar years has been as follows:

	Earned Per Share	Dividend	Book Value End of Year
1952	$4.98	$1.50	$68 28
1951	5.02	1.25	64.80
1950	4.91	.80	61.28
1949	4.86	.55	58.09
1948	3.81	--	54.33

Book value at the end of each year as given in the table is based upon the 25,000 shares of stock then outstanding.

Deposits show a continued upward trend and are now $19.1 million. Of these $11.3 million are savings, $7.4 million general and the remainder Christmas and Vacation Clubs.

E[illegible]ing assets were $17.9 million[illegible] about 65 times capital. The [illegible]te of return on loans and discounts is approaching 5% and should not decline in the foreseeable future.

The Easton Trust Company serves an established community, owns a well located banking house with offices which are usually fully rented. Substantial reserves are charged each year for depreciation of the building and anticipated repairs and replacements thereto.

The bank is today paying out about one-third of net earnings, adding the balance to capital funds. There would appear to be no unrealized losses in loans or investments that are not adequately covered by reserves.

The stock of the Easton Trust Company, now selling at a large discount from book value, affords a satisfactory return with opportunity for growth. The stock is traded in the over-the-counter market.

CARL STOLLE

President, G. A. Saxton & Co., Inc., New York City

Tucson Gas Electric Light & Power Common Stock

On the two previous occasions on which this writer has had the privilege of appearing in this column the recommendations were those of Hugoton Production at 20 and Kerr McGee Oil Industries at 17, both in the natural gas producing business and therefore of a volatile nature. This time attention is given to a situation that is perhaps a bit more sedate and which lacks some of the more dramatic appeal of the previous suggestions. It is perfectly obvious, in contrast to the action of these two stocks, that no near term price enhancement of such degree is likely to occur in the stock of the company we are about to discuss but the issue has nevertheless, in my opinion, a long-term growth potential not usually associated with stocks of the utility industry. Too many investors have considered utility stocks to be lacking in the appreciation possibilities of industrial securities and devoid of all romance. This has, of course, proven to be completely wrong in the past several years. By the same token, in the type of market which many people seem to feel we are approaching, one in which there will be certain hesitancies and uncertainties, a strong power and light company stock would seem to have the greater liklihood of being a steadying influence in an investment list, while at the same time not devoid of appreciation possibilities.

Carl Stolle

Many sections of the country have shown remarkable growth trends since the end of World War II and one of the leading if not the leading State in the Union has been Arizona. To be specific, the population of Pima County, of which Tucson, the second large city in Arizona, is the county seat and the principal source of the county's population, has grown from about 72,000 in 1940 to an estimated 190,000 in 1953. The incorporated City of Tucson has a population of 50,000, but because this incorporated area is so limited this figure does not represent the population of urban Tucson of about 168,000. These figures show substantial growth even over the census figures of 1950. The growth of the area both as to population and as to general importance in the southwest is impressed upon a visitor to that part of the country on each successive occasion. The land in the vicinity of Tucson consists of fertile irrigated sections which produce abundant crops of cotton, grains, hay and vegetables, and a desert-like region which for all of its barren appearance to the uninitiated still in many cases provides grazing for the cattle raising industry in the area. Of course this section is known widely for its deposits of a wide assortment of minerals which have been produced for periods going back 200 years around Tucson.

Tucson is a transportation center with the Southern Pacific providing employment for over 3,000 people. The city has five radio stations and one television station and, what is important to the electric light company, an additional two television stations are scheduled for completion this fall. Manufacturing consists largely of a number of relatively small industries but of special importance are four plants in the classification of the aircraft industry. A recent arrival on the industrial scene has been the Hughes Aircraft Company which is employing several thousands. About one thousand civilians are employed at Davis-Monthan Air Force base, a permanent installation. Its payroll now totals about $1,300,000 per month. Ideal flying weather the year around makes this one of the important Air Force bases of the country.

Undoubtedly, the business for which Tucson is best known is that of the tourist trade. Tourist expenditures in and around Tucson are estimated during the past several years to be somewhere around $35 million annually and will no doubt continue to grow.

With this as a brief background what about Tucson Gas Electric Light & Power Company which serves this area? The company continues to record peak demands, increased numbers of customers and enlarged sales. It has the lowest utility rates in Arizona and with two minor exceptions it is said that the company has never asked for a rate increase. Two years ago the company received a new 25-year franchise from the City. It has continued to expand sufficiently ahead of the growth of the City to anticipate its growing needs without being severely pinched and yet is in no sense overly endowed with excess capacity.

In spite of the necessity for providing additional financing on several occasions in the past, including a sizable increase in the number of common shares, the company's net per share has continually mounted and last year such net was $2.44 per share on 500,000 shares as compared to $2.39 on 360,000 shares the previous year. Much of the earning facilities for which these additional shares were provided had not been put in operation by the end of 1952 and therefore the above figures do no reflect much benefit from 1952's financing. A continuance of this growth in earnings is shown by the figure of $2.64 earned on 500,000 shares outstanding March 31, 1953 as against $2.55 on 360,000 shares outstanding March 31, 1952.

Of the company's revenue, electric power and light provides 67% of the total and gas 33%. The great bulk of these revenues is made up of sales for residential and commercial use although the industrial demand has been increasing steadily. Dividends are paid at the rate of $1.60 a share so that at the current price of about 30½ the yield is 5¼%. This yield is somewhat under that obtainable on a number of other utility commons. Part of the reason for this is that there is a natural discounting to some extent of the future in this picture but certainly a good share of the rea-

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The Prospects for Prosperity

By W. W. TOWNSEND*

President, Townsend-Skinner & Co., Inc., New York

Predicting a valley of depression may have to be passed before the heights of a new prosperity is reached, Mr. Townsend cautions 20 years of fiscal foolishness cannot be swept under the rug and warns of rapidly increasing public and private debt. Urges savings institutions to build up greater liquidity reserves and keep in mind the fact that even a slow-down might hurt them, because it would hurt their customers. Says long-term prosperity outlook is good.

For fear of any possible misunderstanding because of what is to follow, it should be established early in this discussion that the longer-term outlook for prosperity in these United States is very good. It is the near-term outlook regarding which there is some basis for concern.

W. W. Townsend

Most of you have read the story of the two men who finally reached the crest of Mt. Everest. In order to achieve this goal they had to reach a somewhat lower crest and then negotiate the perilous passage of a ridge which descended rather steeply and extended for some distance before it rose again to the heights, which they finally attained. The analogy is apt.

We stand today at the edge of a valley somewhat obscured by the mists of uncertainty. The heights beyond are in plain view and are attainable, but the valley must be crossed cautiously and on foot. There is no bridge, nor will one be constructed. There is no helpful helicopter which can take us across that valley. Some of us see only the heights and are not concerned about the valley. They are the optimists. Some of us are full of dark forebodings regarding the dangers that might be encountered in the crossing. They are the pessimists. Some of us realize that those dangers exist and are making all preparations possible to minimize their hazards and to negotiate that crossing without the loss of life or limb. Not all of those will meet with no mishap whatever, but they are the realists. They believe that any danger clearly anticipated is about three-quarters averted and their chances of reaching the heights beyond are likely to be somewhat better than are the chances of those who either recognize the existence of no dangers or who recognize the existence of nothing else.

We may be approaching the end of an era in which we have indulged deliberately in many evils the lesser, by comparison, than would have been the evil of losing the last World War. And because those evils were lesser there were many who maintained that they were good—but they were never good. Twenty years of fiscal foolishness cannot be swept under the rug. The problem we face is how those consequences can be mitigated somewhat. They must be faced and experienced.

Economists in a Peculiar Dilemma

In the problem which lies immediately ahead the economists are in a peculiar dilemma. The nature of their profession is such that they almost are compelled to argue from cause to consequence and in the middle of that argument there sits the most unpredictable factor in the world, known as John Q. Public, who may or may not do what the economists believe he will do—either because he should do it, in their estimation, or because that is what he did the last time he encountered similar difficulties. And the economists, who believe that theirs is an exact science, are constantly making assertions which are probably responsible for the cynical definition of an economist as a man who is often in error but never in doubt.

There is one method of approach by which some of these uncertainties can be resolved. In this fair land of ours there is almost nothing that we do except, perhaps, to say our prayers, which is not done with money. About 90% of that money consists of checks, every one of which clears through some banking institution and leaves a trail behind it as plain as is the track of the rabbit in the snow. Once a week the Federal Reserve collects from its members all the information regarding the business they have done during the preceding week and one week later it publishes that information as the Federal Reserve Report. It is the balance sheet, the earnings statement and the condition report, if you like, of the banking system. It contains all and more of the information which will be made available in the business reports a few weeks or months hence. It is the earliest, the most comprehensive and completely factual report of John Q. Public's attitude and his outlook because it spells out very plainly just what he did last week with his money, how much money he had with which to do it and how good that money is.

Watching Bank Figures

We have had bank figure analysts with us ever since we have had bank figures and every one of them has known what I am about to tell you but no one

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*Abstract of a talk by Mr. Townsend before the Michigan State Savings and Loan League, Mackinac Island, Mich., July 21, 1953.

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Can, Can

By IRA U. COBLEIGH
Author of "Winning in Wall Street"

A topical review of the two major units in the metal container industry, American Can and Continental Can.

The existence of a Broadway show by the same name as today's title is sheer coincidence. Whereas that alluring theatrical production stresses a quite syncopated swing, our opus will rather emphasize the swing to cans in the American home, and the current market swing favoring the equities of leading can manufacturers. And for those who find the heading a bit brash, remember, it might have been more so. For instance, suppose we'd headed it up "Rin Tin Tin" out of deference to the fact that dog food is increasingly encased in tin plate!

Ira U. Cobleigh

However, enough of this opening phrase routine. Let's get on with the topic, cans. You just can't get away from them. From the time you start the day you may spray powder on your tooth brush from a can, your frozen orange juice at breakfast came from a can; ditto your coffee. The milk or cream quite possibly arrived in a container made by a can company. On your way to the office you drive by the service station for a quart of oil (in a can). You lunch on a tuna fish salad and iced tea; and your dinner may well consist of soup, ham and peas, washed down with a glass of beer—all from cans. For today's bride, a can opener is a necessity ranking equally with a cook book.

And the use in cans is expanding with each passing day. For example, of all the packaged beer sold, roughly 25% was in tin cans—five billion of them for 1952, and increasing this year. Dog food, mentioned earlier, is also a large and relatively new consumer; and a new process now makes possible the canning of whole milk. In the soft drink field, **National Phenix Industries** has introduced a whole new line delivered, not in the traditional "pop" bottle, but in a can. All this demand, mind you, is in addition to the backbone of the industry which has provided for decades both stability and growth to earning power, the food can. Metal containers for food provided roughly two-thirds of industry gross revenues in 1952.

Tin Scarcity Hurt

The industry flagged during the war, due to scarcity of tin and vital military needs for steel (the basic tinplate ingredient), so glass containers moved ahead a bit during World War II; and can company earnings were meager. Restrictions on the use of tinplate for cans existed not only as a war measure, but off and on till the end of 1952. These restrictions had been slackened sufficiently, however, by 1950 to permit splendid restoration of earnings; 1951 was also highly profitable, with some slippage in 1952 due to the prolonged steel strike. This year, with no strike in the offing, a 4% better price structure, and tin in fine supply, there exists occasion for can optimism.

Two Large Producers

Perhaps by now we're ready to get just a little more specific and talk not about the industry as a whole, but about the two impressive units which, between them, turn out 75% of its total production. These two, as listed in the sub-title, are **American Can** and **Continental Can**, in that order. They are splendid examples of private enterprise.

For a great many years, **American Can Co.** has been the largest manufacturer of tin containers in America and, probably, the world. It turns out about half of total U. S. production. It also is a large factor in the fiber container field for milk and frozen food. American Can has been by no means content to rest on its laurels as the bell-wether of the trade; rather it has engaged in a most impressive postwar expansion program. Since 1945 additions to plant account have totaled $180 million and still further expansion is projected.

For 1952, American Can grossed $622 million and carried $27.4 million down to net income. This ratio of net to gross works out to 4.4% and is a rather far cry from the prewar year, 1939, when the percentage was a handsome 9.7%. An improvement in carry-through for 1953 is a reasonable expectation.

About capitalization, American Can had (12/31/52) $73 million in funded debt, $41.2 million in $1.75 preferred (which started its exemplary dividend record as a 7% preferred, in 1903 and was split 4-for-1 in 1952) and 10,886,000 shares of common. The preferred has been an investment blue chip for some 30 years, while the common is one of the important equities which make up the distinguished Dow-Jones Industrial Average. AC common has paid dividends faithfully since 1923. Current indicated rate is $1.40, against $2.25 per share net in 1952, and an improved earnings projection for this year. Present quotation of $34 is around a 4% yield, and roughly 15 times earnings. Because of its eminence in its field, its $133 million working capital (1952 year-end), its research and expansion in profitable fields, American Can is a highly respected company, and its common an equity of quality, and market stability. Not spectacular but solid.

Second only to American Can in industrial stature, is **Continental Can** which has impressed a number of market followers with its rate of growth, its plant expansion, and research. In the last year Continental has worked out a technique for canning whole milk. As this removes the need for refrigeration, milk can now, for the first time, be exported to the tropics. Hottentots may now be homogenized!

Leadership, too, has been stressed at Continental under General Lucius D. Clay, Board Chairman. By judicious plant expansion ($104 million of it) and aggressive selling, gross rose from $213 million in 1946 to $477 million in 1952; and it's still growing. Big gains in beer can sales have been recorded; and Continental is now the world's largest manufacturer of fiber drums. It also is a substantial producer of paper containers, of cellophane bags; and of cork products and crown caps.

Financing the requisite expansion of Continental Can seems now to have been completed, and investors have a three-fold choice for such commitment as they may wish to consider. There are 150,000 shares of $3.75 preferred selling at 94 to yield 4%. Then there's the two-way item—the $4.25 convertible 2nd preferred (selling at 120) which can be exchanged at any time up to Nov. 1, 1961 for two shares of common, and finally there are 3,243,797 shares of common listed NYSE and currently quoted at 52, and paying $2.40. This equity has been appearing on "growth stock" lists, and you hear talk of per share earnings ($4.22 in 1952) blossoming out to $9 or $10 within the next five years. Be that as it may, Continental has been a good earner for quite a long while, and only in one year (1922) since 1915, has is failed to mail out a dividend check on the common.

Sticking to our two selections for today, and viewing the current market preference for so-called "defensive" issues we can find lots of points in favor of cans. What with city population increasing, and many million women working, so that they have to rustle up some quick meals when they get home, cans are bound to increase in popularity and use. Our population is, of course, growing but the sale of cans is actually growing faster (not counting "canned" music). If the can industry continues as sturdy in the future as it's been in the past, then one day, when the morning gong starts the trading on the New York Stock Exchange, you many find yourself placing an order for one of these container certificates. A few shares of Can (American or Continental) for openers, that is!

D. E. Barton Joins Emanuel, Deetjen

Douglas Ernest Bartow formerly of American Securities Corporation has joined the Investment Department of Emanuel, Deetjen & Co., 120 Broadway, New York City, members of the New York Stock Exchange. He will cover New York, New Jersey and Pennsylvania.

Joins Loewi Staff

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Thane O. Malmstone, Jr. is now associated with Loewi & Company, 225 East Mason Street, members of the Midwest Stock Exchange.

Korea and Business

By ROGER W. BABSON

Mr. Babson, though cautious as to trend of business, says he is not fearful of any serious crash from a Korean Peace. Looks for some unemployment among "marginal" workers, and a considerable turnover of employment in industries dependent on instalment business.

Although I am still cautious as to the trend of business and still believe that the best investment today is in bank accounts, life insurance, and non-taxable bonds—yet I am not fearful of any serious crash from a Korean Peace.

Roger W. Babson

It is a fact that a large number of industries are benefiting from war work. Marginal people who otherwise would be unemployed are now working. Almost every reader of this column knows someone who is directly or indirectly engaged in war work. Studies show that the inefficient workers add up to much less than one would think, probably to a total of only two or three million persons. This is less than 5% of the total employed today. The poorest workers of this group will lose their jobs if the Korean War ends and no other war starts. These will be people not interested in their work or those who are asking wages in excess of their real worth.

By far the greater fear of unemployment will come to those who are working on goods sold largely on installments or other forms of credit. This includes automobiles, refrigerators, television sets, homes and other things of which there is now a surplus. There may be a considerable turnover of employment when the Korean affair is cleared up, both from those engaged in war work and those dependent on the installment business. Good workers, interested in their jobs and earnestly striving to give their employer more than a dollar in value for every dollar received, have nothing to fear.

Korea Has Not Been Too Expensive

It is not healthy for the morale of the country to have inefficient people able to get jobs as easily as they are doing today. As I have said before, the next panic will not be a banking panic, or a railroad panic, or a stock market panic, but rather a consumers' panic, due to an excessive boom in jobs, mortgages, and a too rapid increase in wages. Avoid debt if possible. Pay your bills promptly and don't waste time on TV or anything else.

As a further check upon the situation, I find that the Gross National Product of the United States for 1953 is estimated at over $360 billion. It is generally agreed that so long as the cold war with Russia lasts, we will spend at least $30 billion annually on national security. This means a decrease of only $20 billion if active fighting on all fronts should cease. This figure of $20 billion is less than 6% of the total given above. I still insist that we have seen the peak of business and employment for the next two or three years unless further war breaks out. On the other hand, I am more optimistic on the situation than I was a few months ago. Instead of flying a "danger signal," I would fly a "caution signal."

Wars Stimulate Inventions

It, therefore, will be seen that peace in Korea will bring an improved situation to many to offset the hardships to others. In other words, we are slowly changing from a war to a peace economy and every reader of this column should conscientiously consider how it will affect him or her, whether a banker, manufacturer, merchant, wageworker, or sales clerk, remembering that all of us are consumers. The purchasing power of the dollar is gradually increasing; prosperity is holding up better than anticipated; although, of course, it is impossible for the dollar to increase in value unless present abnormal wages at least level off.

Wageworkers fail to realize that their increased wages during the past war years have been due to new machinery. War always stimulates inventions which either reduce costs or improve the product. If we draw a line showing the money spent on research and new machinery by any company, it will usually show how much the company can pay in higher wages. None of us realize what we owe to the inventors of our country. The wonderful new machines, products, and processes about to come on the market keep me from being a pessimist.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Eschol R. Perry has become connected with Fusz-Schemlzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange.

Citizens Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

GREEN BAY, Wis.—William H. Payant is now connected with Citizens Securities Company, 224 Cherry Street, members of the Midwest Stock Exchange.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A higher tendency prevailed the past week in industrial output for the nation as a whole as production moved ahead from the holiday levels of preceding weeks. It was markedly above the year-ago level, at which time labor-management disputes hampered output.

The United States Department of Labor's Bureau of Labor Statistics reported the past week that living costs climbed to a new high in the month ended June 15. A rise of 0.4% carried the bureau's consumer price index to 114.5% of the 1947-49 average. This was 0.2% above the previous record, reached last August and again in November. Retail food prices led the uptrend in the latest period. They advanced 1.4% over the mid-May level, wiping out most of the decline that took place earlier this year.

Steel business is so good it again threatens to embarrass the experts, "The Iron Age," national metalworking weekly, states this week. There is nothing in sight—not even the Korean truce—to indicate anything worse than a moderate decline before the end of the year, it adds.

A careful check by "The Iron Age" this week indicates that carryovers from third to fourth quarter will be much larger than had been expected. Since the industry is still producing at a good clip, it appears that over-booking is largely to blame for delay in filling orders.

Some steel consumers, this trade authority asserts, are frankly annoyed by persistent reports that the steel market is beginning to decline, or is due to decline shortly. Manufacturers who are unable to place orders for all the tonnage desired are disappointed by fourth quarter "quotas," smaller than they had expected. Although the bulk of steel production is free from controls, producers are still using a voluntary quota system of distributing steel to their customers. Large carryovers are holding quotas in check.

Fourth quarter steel set-asides for direct defense and military programs are reduced sharply from previous levels. Set-asides for fourth quarter total 1,837,000 tons compared to 2,279,000 tons in the third quarter. This is a decline of about 450,000 tons, this trade magazine notes.

The Office of Defense Mobilization says this sharp reduction doesn't indicate any cutback in military use or needs; instead it means a "letting go" of controls. Many contractors and subcontractors are able to place orders in a free market instead of having to go through red tape of applying to ODM for priority.

Manufacturers of defense goods have not been picking up all the steel set aside for their use. Steel inventories in defense plants are generally at least adequate with some instances of very large inventory accumulation noted.

When steel supply finally does catch up with demand, the market will be extremely competitive. Most expansion and modernization programs have been carried out with lowering of competitive costs in mind, states "The Iron Age."

A check of auto producers finds the major ones still pushing production to the hilt. Reports of sales trouble do not apply to the bigger producers, since they are still using conversion steel and will continue to do so for some time, declares this trade paper.

Chrysler may become the first of the big three to get out from under conversion costs. The firm has cancelled all conversion that has not yet reached the melting stage, or could not be delivered before the fourth quarter. The company is confident that regular mill sources will be able to fill its requirements after September, "The Iron Age" reports.

Business failures rose 17% in June to 817, the highest toll in over three years. The increase lifted casualties 22% above the year-ago level to a figure exceeded in only one June, 1949, since prewar 1941.

The rate of failure rose to 35.8 a year for every 10,000 enterprises, according to "Dun's Failure Index." This seasonally adjusted rate was somewhat above the 30 in the previous month and the 31 a year ago, but it remained well below the 55 in June, 1941.

The liabilities involved in June failures were almost unchanged from the high level established in the preceding month. They amounted to $32,379,000, half again as heavy as a year ago and the largest for any June since 1934.

Except for a dip among casualties with liabilities of $100,000 or more, failures of all sizes increased from the previous month and a year ago. The sharpest relative rise appeared in the $25,000 to $100,000 liability class where mortality reached a 20-year peak.

While there was an increase in failures from a month ago in all industry and trade groups, the more notable upturns occurred in construction, which had the highest number in any month on record, and in retail trade, where casualties were the heaviest since 1950, "Dun's Failure Index" further noted.

Automotive output in the United States in July is expected to total 616,000 units, a 32-month high, "Ward's Automotive Reports" said. It will be the best output for any month since October, 1950, when 660,430 autos were built.

Industry shutdowns were expected to cut into output in the next few weeks. Halting production Aug. 3-10 will be Chrysler Corp., Packard Motor Car Co. and Briggs Manufacturing Co., auto body supplier. Nash, which has been idle three weeks, will close Aug. 17 for a "two-week annual vacation," this trade organ stated.

Latest output count, including last week, shows 3,756,849 cars built this year, about 60% ahead of the 2,343,879 in the like 1952 period. Truck production holds only an 8% edge over the comparable 1952 period, with 722,947 against 672,008.

"Ward's" pointed out that 137,876 cars were built last week,

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Tito's Agricultural Hodge-Podge

By A. WILFRED MAY

Mr. May lists causes of disillusionment over the system of collectives, with its production failures. Traces numerous successive zigzags between socialization and private production in regime's policies. Concludes that, as in rest of the economy, result is indecisive and ineffective hodge-podge, indicating that only complete break, not compromise, with socialism is a workable solution.

Part III of a Series on Yugoslavia's Domestic Economy

BELGRADE, YUGOSLAVIA— Agricultural policy, as in industry, in Yugoslavia has been motivated by two conflicting ends—production on the one hand, and on the other the regime's hankering to socialize. A conflict exists because the socialized farms have never been able to achieve substantially satisfactory production results.

A. Wilfred May

For the period 1947-'51, the regime instituted a 5-Year Plan, whose No. 1 objective was the socialization of the countryside. Acreage of wheat and corn was cut, but the same total yield was maintained by the increase of mechanization. This released land was then used for production of industrial crops, sun-flower, cotton, sugar beets, hemp and tobacco.

In the sector of wheat and corn acreage, production fell to below prewar. Likewise, at that time production of the industrial crops showed disappointing results. Such negative results arose, in the main, because, the direction being from above, little interest was shown by the growers.

The State's indirect say in over-all pricing, through its control over distribution, has also hurt agricultural production, then and subsequently. For its temptation is great to divert the greatest part of purchasing power toward the industrial channel, maintaining prices as high as possible there for the benefit of the budget. As an offset, farm prices are kept relatively low, with more erosion of the free peasant, with his poverty pushing him into the only loophole, a collective organization.

Thus, price interventionism has led to both collectivization and falls in production.

Also the individual peasants, who still compose three-quarters of the rural producers, have less incentive for producing at the unattractive prices, other than for the needs of their family and for meeting the tax bill.

Another major deterrent to farming has been that farm workers are regarded as a potential source of labor supply for industrialization — with a resultant severe diminution of farm products available for export.

Collectivization Forced After the Break

Before the Tito-Moscow break (June, 1948) there was not much collectivization; agriculture being neglected as a sort of stepchild. There were only about 1,500 collective farms at break-time, but immediately thereafter, with Russian needling and to show the Kremlin that they could out-communize the Communists, the number of collectives during the 12 months of 1949 jumped from 1,500 to 6,900.

Collectivization was forced by the imposition of quotas on private farms, and then collectivising them if they were not met; and through the imposition of discriminatory taxes.

The peasants have been burdened with such heavy forced deliveries to the State or with so big a tax, that they have been faced with the alternative either of starving or not delivering, which latter choice would entail the accusation of sabotage with all the dire consequences, death included. Only one solution to escape this dilemma was available; namely to enter "voluntarily" into a Zadrouga and forego their lands.

Nevertheless, at the maximum only 22-23% of the farms were collectivized — that is, as Peasant Working Cooperatives owned and run by their inhabitants—plus 5 to 6% on the State farms, that is, the nationalized farms. So at its height 27 to 29% of the arable land was in the socialized sector.

The Collectives' Failures

Many elements of disappointment with the collective system slowly but steadily emerged. The main causes appear to have been:

(1) Hurried organization under pressure.

(2) Transplanting of the workers, which, in practice didn't work out.

(3) Introduction of mechanization made for surplus labor which, together with the introduction of "economic accounting" in 1952, undermined wage scales.

(4) The individual's morale was undermined by working as on a team of horses without opportunity to display individual initiative. In contrast, the private farmer felt better, because he had a free choice (theoretically at least) in marketing and got better prices in the many instances of scarcities (excepting during periods of ruinous drought).

(5) Bureaucratic parasitism and the habit constantly to call on the State for financial help (cited in the Communist Party's Directives of Nov. 1951).

(6) Behind all others but Spain of the 11 leading European countries in farm mechanization. Officials agree that an effective mechanization program will take five years after completion of the country's industrialization.

(7) But most importantly given as a reason, also in the Party Directives, was "the non-existence of remuneration according to work produced."

With the lack of incentive as reward for individual effort, there was a tendency of all output to sink to the lowest common denominator.

Collapse of Production

Thus the failure of the Soviet system of the Kolhozen, resulting in the collapse of agriculture, with farm production only 96% of the 1934-38 period and with one-third of the collectives running at a loss, led to the Decree of March 30 last.

Basically, this new law legalizes the breakup of the cooperatives, giving permission to the peasants who wish to leave the kolhozes to return to private husbandry; but, on the other hand, on the socializing side it curtails private holdings to a maximum of ten hectares (24.7 acres). The peasants' stampede-like response to get out of the collectives entirely, or into the Western type of cooperative, was

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The Real Estate Outlook

By CHARLES B. SHATTUCK*

President, National Association of Real Estate Boards

Mr. Shattuck pictures construction activity as at a higher level than last year, and states a recent survey of current real estate market shows a general trend of strong demand, high activity, and a stable price situation. Looks for continued population growth along with higher housing standards to maintain and increase real estate values, and says major goals of real estate industry should be: (1) a large program of housing improvement; (2) creation of a secondary market for real estate mortgages; and (3) formation of federation of property owning groups for purpose of protecting their property rights against political attack.

Real estate makes its contribution to expansion in the national economy in two distinct ways: through an increase in the extent of real property ownership, and through improvement in the condition of every type of real estate. The relationship of these factors to general economic expansion is basically that of cause rather than effect. Much of the domestic economic policy of our government recognizes this.

Charles B. Shattuck

In the early '30's, when economic pump-priming was the principal undertaking of the Federal government, stimulation of home production and home buying was looked on as a shot in the arm to a wide range of basic industry. So it proved to be. And the first private loan ever insured by the Federal Housing Administration was for the purpose of repairing a home.

There are many reasons to believe that real estate will continue as a force stimulating solid growth in our economy as we move to the promising decade of the 1960's, as it has been since the end of World War II.

Higher Levels Than Last Year's

Construction expenditures hit an all-time high in the first half of this year. Even after making adjustments for price changes, new construction activity in the first six months broke all previous records. During the first quarter of the year, an impressive vote of confidence in the future was cast by business in outlays for plant and equipment at an annual rate above the level of the same period of 1952, and the aggregate outlay in this category for 1953 is now expected to surpass the total for last year.

The upsurge in construction of commercial buildings in the first six months of 1953 was even greater than expected following the relaxation of credit and materials controls last fall, the United States Department of Commerce recently reported.

Private expenditures for new residential construction were the highest on record for any January-June period.

Current Real Estate Market

A recently concluded semiannual survey of the real estate market made by our National Association of Real Estate Boards, shows a general trend of strong demand, a high level of activity, and a stable price situation. Real estate boards in 264 communities included in the survey generally expect the present sustained high level of home production to continue with a stable price situation.

Most communities represented in the survey report a vacancy rate of only 1% or less in commercial property which is reflected by an active market for this class of property with prices steady or trending up.

The market for industrial real estate follows the same strong pattern. There is an undersupply of one-story industrial buildings in a majority of the communities, and about one-fourth of the reports predict higher prices for this class of real estate.

The attraction of the part-time farm continues to be a strong one for the city worker and is an interesting element in the farm real estate market. A growing popularity of real estate as an investment, particularly investment in commercial property, vacant lots, and acreages suitable for development, is evident in the survey reports.

These market characteristics all indicate that real estate, as a stimulating force in the national economy, is undiminished.

And how will the general economy look when this year draws to a close?

General Economic Indicators

By every indication available, it will be in stronger position than ever.

The Federal Reserve Board index of industrial production is well ahead of the 1952 figure, and the mid-year forecast of the National Securities and Research Corporation is that it will continue higher than the 1952 index throughout the year. A gross national product of $358.3 billion is forecast for this year, compared with $346.1 billion for 1952.

Retail trade, employment, personal income, manufacturers' sales, and consumer credit are all at higher levels than they were a year ago, and are expected to continue so thoughout the year. Electric power output is at an all-time high. Savings by individuals are expected to hit a new high of $200 billion by the end of 1953.

National Securities and Research Corporation, with an excellet record in business analysis, predicts, on the basis of existing trends, that 1953 will close with corporate net earnings, corporate dividends, net working capital of corporations, and the total of new security offerings all at volumes greater than were reached last year. Standard and Poor predict a stronger securities market by the end of the year based on a fuller recognition of constructive implications in the economy.

It is a healthy sign of stability that in this situation wholesale prices are leveling, and the cost-of-living index maintained by the Bureau of Labor Statistics is averaging slightly below last year's level. This is the process our economy is currently using to crown the consumer king and advance his standard of living.

Long Range Prospects

The total population of Ireland is about three million. Our population growth is now at the rate of about that many *per year*. This is the most basic of all stimulants to a healthy and solid expansion in the national economy in the years just ahead. Coupled with the robust, productive strength that our economic system has developed, it promises steady advance in national output as we move toward the sixties, and real estate, as always, will be a forerunner of this advance. Real estate feels the impact with the demand of a family for a larger house as a new arrival requires more room. School-age children make a mighty demand for real estate just now in the form of school sites and school construction. In a very few years they will be prospects of real estate brokers, and thereafter of furniture, appliance, power, light, and fuel, industries—and of tax collectors.

Potential of Rehabilitation

There is one real estate potential in this situation that may not be fully understood, even within our own industry, and that is the volume of manpower, material, and money that can be readily absorbed in improvement to the condition of our housing supply.

Let's use as a yardstick the total dollar volume of new home production, which is recognized as a major element in the national economy. In the years that intervened between World War I and World War II, average annual production of homes was less than half a million. The highest annual production attained in that period was in 1925 with 937,000 new dwelling units. In contrast, now — for the fifth consecutive year—we are producing more than a million dwelling units per year, with an annual dollar volume of about $12 billion. We may be accustomed to think of the activity involved in alteration, improvement, repair, and modernization of homes as relatively trivial, because it is relatively less dramatic, a small job here and there.

There are some estimates that indicate that the total dollar volume of this repair and improvement work may equal half the dollar volume represented in our giant output of new homes, and it is a type of activity that can be, and I think will be, greatly stepped up in the next seven years to equal, or possibly exceed, the dollar volume of total new residential construction.

Higher Levels of Housing Standards

Our tremendous production of more than 7 million new private housing units since the end of World War II has brought us into a new level of housing standards, outmoding previously accepted standards, and making it possible to put in motion a concerted drive for widespread boosting of housing standards in every price range.

This is a major goal of the real estate industry. We feel a responsibility to do more than observe economic trends that effect our commodity. We are obliged to enter the field of public policy that directs healthy economic trends. Because of the fundamental importance of real estate to a growing and vigorous national economy, we propose three distinct measures to safeguard and strengthen the stimulating value of real estate to our system of production and distribution.

These goals are:

NAREB Proposals

(1) A large scale program of improvement, modernization, and rehabilitation of housing, undertaken through neighborhood conservation programs that will also eliminate slums and restore good environment and amenity quality to older urban areas.

(2) Creation of a secondary market for real estate mortgages that will give the industry the long-term financing facilities it has lacked and provide small investors with a means of sound investment in real estate.

(3) Formation of a national federation of existing local, state, and national property owner groups to seek constitutional guarantee of the preservation of human right of property ownership, as we have always known it in this country, intact in every respect, so that it may withstand the recurring political attempts to weaken it.

Build America Better Program

These three proposals, in themselves, have a great deal to offer for stable business conditions as we move toward the 1960's. A carefully stimulated drive for wholesale improvement in the housing supply is not simply a move to expand a market. It's a long overdue civic obligation that has to be met to save the solvency and the very organization of our cities. There has been some experimentation with slum clearance and urban redevelopment, none of which has produced a *significant* answer to the problem, in that none of the patterns of action or approaches are capable of being duplicated on a scale sufficiently wide to make a significant dent in the backlog work that has to be done.

This is the problem to which the real estate industry has addressed itself and we have come forth with a proposal which takes account of all past attempts to solve the griveous problems of slums, blight, and unfit housing. We believe that it can get the job done directly, swiftly, and equitably because it contains none of the built-in limitations that have characterized the experiments of the past. It is based on local responsibility and local initiation, instead of Federal directions; payment of costs by benefited property owners rather than by Federal grants within limits of Congressional appropriations; and Federal cooperation rather than Federal subsidy.

Briefly, here is what our plan proposes:

We will ask the state legislatures to enact enabling legislation authorizing cities to create community conservation commissions. These commissions will define the exact boundaries of particular areas within the city that need extensive improvement, and will make a neighborhood conservation plan for each such neighborhood. This plan will include, first, a program of firm enforcement of modern city ordinances' requirements as to health, safety, sanitation, and structural adequacy of buildings under which owners of property are required, at their own expense, to bring their properties up to such standards. In the event that owners do not, or cannot comply, the city will order the work done and place a lien on the property for the cost. In the case of properties that are too dilapidated and neglected to be rehabilitated, the owners will be required to remove them, just as other public nuisances are required to be abated.

The neighborhood conservation plan will include a program of improvement to schools, parks, streets, and other municipal facilities to be carried out in coordination with the law enforcement program, so that the city will be rehabilitating its part of the neighborhood while property owners are being required to improve their structures.

Under this plan the city will have certain limited rights to acquire property. In the case of structures that are clearly a source of disorder and obstruction to carrying out the plan, the city will have power to purchase the structures, or acquire them by eminent domain, for the purpose of removing them. In cases of slum properties when the sites are needed for new development in coordination with the other features of the plan, the city will have authority to acquire the land and building, providing it sells the land so acquired for redevelopment within a year.

Where is the money to pay for this acquisition of property coming from? Obviously it has to come from the folks at home by way of the Federal tax collector, or from the folks at home directly. We favor eliminating the circuitous route through Washington. So we propose that the city consider the neighborhood conservation area as a benefit assessment district, and assess the cost of necessary property acquisition against the property owners in the area in accordance with the benefit they enjoy from the conservation program.

The role of the Federal Government in this program would be to insure municipal bonds issued against special assessment liens so that the bonds would be readily marketable at a low interest rate. This low interest rate would be passed on to the assessed property owners as the rate paid on their unpaid balances over a period up to 10 years. We will also ask the Federal Government to encourage investment in new construction and in reconstruction or modernization within neighborhood conservation areas by allowing accelerated write-off of such investments for income tax purposes. Everyone who has studied this plan agrees that it is capable of stimulating a program of improvement to housing and neighborhood conditions far beyond anything yet attempted, or even hoped for, under previous programs.

Need for a Central National Mortgage Association

Perhaps the greatest deficiency in the organization of our real estate industry is the absence of a secondary mortgage market and a sound means of channeling small investments and savings into real estate financing. We propose that this long-felt need be met by the creation of a system of regional mortgage associations chartered by a Central National Mortgage Association, to purchase mortgages from mortgagee members of the associations, with the issue of debentures against mortgages held for sale to the public.

Serving as a secondary market to which lenders could sell their mortgages held, the new system of associations would stabilize the mortgage market and provide a constant supply of funds in all sections of the country for lenders desiring to make well-secured loans. It would break the bottleneck in rural and remote sections of the country in particular, where inadequate turnover of mortgage paper has resulted in home seekers and others being unable to obtain loans. Persons desiring to invest in real estate but who have only a small amount available could purchase debentures.

Under the plan, the Central National Mortgage Association would charter and determine the number of regional mortgage associations and set up regulations for their operation. It would also establish a sound and conservative system of appraising property upon which the regional associations would purchase mortgages.

Regional mortgage associations would be chartered originally where most in demand, and they would be permitted to set up branch or district offices within their regions. The minimum capitalization of each regional association would be subscribed initially by the United States Treasury. As subscriptions from private sources increase, an appropriate formula would be provided whereby the Treasury's participation would be gradually retired, simi-

*Excerpts from an address by Mr. Shattuck at the Stanford University Business Conference, Stanford, Cal., July 25, 1953.

lar to the plan of the Home Loan Bank System.

Each mortgage association would be permitted to purchase all types of first mortgages on improved property. Against the portfolio of mortgages purchased, debentures for sale to the public would be issued.

The plan envisions the liquidation of the Federal National Mortgage Association and the retirement of the stock subscribed by the Treasury. The FNMA portfolio could be transferred to the Central National Mortgage Association under a trustee account for management. CNMA would manage the account, but as regional associations are chartered, that part of the FNMA portfolio which covers real estate in a particular area would be transferred to the regional association for management.

The mortgage associations would ultimately be privately owned by mortgagee members and would not be confined solely to insured mortgages or to housing mortgages, but would deal in all types of mortgages.

Federation of Property Owner Groups

We feel that in addition to these important steps, the continued stability of real estate requires the formation of a federation of real property owners to defend individual property rights. It should consist of existing national, state, and local associations of real property owners and businesses concerned with real property.

The primary purpose of such an organization will be to secure constitutional guarantees which will prohibit laws that would limit or confiscate the income of private real property without just compensation or establish rights of occupancy without the owners' consent, and prohibit unlimited spending and borrowing by the Federal Government so as to maintain national solvency and the value of homes, farms, and other real property.

This organization will coordinate its program with the broad goals of the industry by working for the conservation of property values, the orderly rebuilding of cities, and improvement of urban environment.

The national federation, as visualized now, would have local chapters in as many communities as possible. These chapters would consist of local federations of various organizations interested in real property ownership and its rights. Local real estate boards would be encouraged to become sponsors and members, together with other local groups, of such local federations.

The right of the individual to own property is everywhere under attack, and property rights have of recent years been curtailed in our own country. Property rights are the central issue of those who seek to destroy free government and free institutions. Since more than a majority of our families in our country own real property for their own use and for that of others, defense of individual real property rights is a matter of basic concern to our nation.

Tight Money Policy Unwarranted

By MARRINER S. ECCLES*

Chairman of Board, First Security Corporation, Ogden, Utah
Former Chairman, Federal Reserve System

Former "New Deal" Federal Reserve Chairman contends, in view of the growth of the supply of goods and services which has caught up with increased supply of money, there was no need for the "tight or hard money" policy pursued by the Federal Reserve and Treasury during first five months of year. Says it is unrealistic to create a tight money market while undertaking to finance government deficit.

The objective of our democratic capitalistic society is to maintain maximum employment and production within the framework of a stable economy. To achieve such a condition requires that there be at all times an adequate supply of money in the hands of those who will use it in relationship to the goods and services available to the market. This would avoid the excesses of both inflation and deflation which we have witnessed during the past 20 years and thus provide a money having a uniform or steady purchasing power which is the best definition for sound money. These excesses can be avoided only by intelligent management and use of our money supply through a fiscal policy on the part of the government, and a monetary and credit policy on the part of the Federal Reserve System, such policies timed to meet the conditions necessary for maintaining production and employment on a basis of economic stability. Commercial bank credit, either public or private, is the source of our money supply. Such credit, however, is dependent upon the availability of Federal Reserve Funds.

Marriner S. Eccles

During the war and postwar period the amount of money in the hands of the public grew much more rapidly than the goods and services available to them. The inflation thus created during and since the war, or the cheapening in the purchasing power of the dollar, was brought about by the large amount of bank financing of government deficits during the war period as well as the huge growth of private bank credit since 1946, especially in the consumer and housing mortgage credit fields. However, the growth in the supply of goods and services pretty largely caught up with the growth of the supply of money about a year ago, so that the cost of living or average price level has been relatively stable since that time, with a slight downturn since the end of the year. As a matter of fact, the growth in the supply of money or demand deposits and currency for the first quarter of this year, as compared with the same quarter a year ago was about 3%, whereas the growth in the total production for the same period was more than 5%. A growing and dynamic economy like ours must have an expansion in the money supply comparable to the growth in the national product to prevent deflationary conditions. We should no more put a ceiling on our total money supply than upon the total production and employment.

In the light of this development the tight or hard money policy pursued by the Federal Reserve and Treasury during the first five months of the year in my opinion was unwarranted. During this period, largely as a result of this policy, demand deposits and currency declined $4½ billion and reporting banks reduced their holdings of government securities and loans thereon by $4.7 billion. Further effects of this policy were to substantially increase interest rates and bring about a sharp decline in the price of government securities, which greatly unsettled the government security market, thereby increasing the problem of managing the public debt.

It should have been obvious that this policy which events had made largely unnecessary could not be continued very long because of the need of financing an $8 to $9 billion cash Federal deficit during the last six months of this year, as well as the need of financing the large crop movements and inventory and currency requirements brought about by the fall and holiday trade amounting to $3 to $4 billion. This made a total of $12 to $13 billion of new money to be raised during the last six months of the year.

It was, therefore, no surprise when the tight or hard money policy was discontinued in June. It was apparent that the only way in which this essential government and private financing could be satisfactorily provided was by the necessary Federal Reserve credit being made available to the banking system. This could be done in one or a combination of three ways: (1) Purchasing government securities in the open market; (2) The Federal Reserve banks lending to the member banks; (3) Reducing reserve requirements of the member banks. Three billion dollars of such Federal Reserve credit was necessary to provide the essential government and private financing through the banking system. This should have been provided by the Federal Reserve buying the necessary amount of Treasury bills each week in the market at a price to yield from 2⅛% to 2¼%, slightly above the discount rate of 2%. In addition, the Federal Reserve banks should loan freely to member banks who are not expanding mortgage credit or consumer credit, which are already excessive.

The Federal Reserve chose to provide nearly $1¼ billion of the necessary credit by reducing reserve requirements of member banks. This I believe was a mistake as such action should be used only at the beginning or during a deflationary period, dramatically indicating a reversal of monetary policy. At such a time it is desirable to put excess reserves in all of the member banks of the country creating easy money thereby putting them under pressure to stop contracting credit and thus the supply of money.

Recent experience should make it apparent to the Treasury and Federal Reserve that it is unrealistic to create a tight money market and at the same time undertake to raise new money by offering either long-term or intermediate government securities, or refund short-term debt into longer term securities in an unsupported or free market. The idea of the free or unmanaged money market was supposed to go out in 1913 when the Federal Reserve was created. The thought of returning to free money and capital markets under present conditions of heavy Treasury deficits and refunding is as unrealistic and impractical as was the policy of maintaining a pegged government security market.

The public debt is altogether too large in size and its influence on our supply of money and the stability of our economy is too dominant to permit the Federal Reserve to abandon its responsibility of managing the government security market so as to meet the fiscal requirements of the government as well as the monetary needs of our growing private economy.

*Summary of an address by Mr. Eccles at the 12th Stanford Business Conference, Stanford University, Stanford, Cal., July 20, 1953.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Morris R. Geggie has become associated with Harris, Upham & Co., 232 Montgomery Street. Mr. Geggie was formerly with Bourbeau & Douglass in Los Angeles.

Reginald A. Ward

(Special to THE FINANCIAL CHRONICLE)

Reginald A. Ward, manager of the bond department of Model, Roland & Stone, New York, passed away at the age of 56.

SEC Registration Requirements To Be Simplified

Congress May Act If Commission Doesn't

WASHINGTON, D. C.—If the SEC doesn't succeed in simplifying its procedures considerably during the next several months, it may find that the job will be done for it by Congress, it is reliably reported.

In other words, the assignment of a staff member of the Senate Banking Committee to sit in and observe on SEC's efforts to simplify its procedure, is something more than a routine performance.

For a considerable period, the Senate Banking Committee, it is said, has been receiving reports that SEC registration procedures were too costly and cumbersome. The complaints all point, it is explained, to the proliferation of information which SEC requires for its registration statement. Most of this information is not given any attention anyway by investors, it is said, and could easily be dispensed with.

However, until this Congress, the Chairman of the Senate Banking subcommittee with immediate jurisdiction over SEC matters was more interested in expanding than in contracting SEC jurisdiction. He was Senator J. Allen Frear, Jr. (D. Del.), sponsor of the "Frear Bill" to extend SEC jurisdiction over smaller corporations.

The new SEC subcommittee Chairman is Senator Prescott Bush (R., Conn.), who was a partner of Brown Brothers Harriman & Co. before he came to the Senate.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Area Resources—Booklet on the Utah, Idaho, Wyoming, Colorado area—Dept. K, Utah Power & Light Co., P. O. Box 899, Salt Lake City 10, Utah.

Banks and Trust Companies of New York—85th consecutive quarterly comparison—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Depressed Stocks—List of thirty which appear to offer opportunities—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

Ethical Drug Industry—Study—Riter & Co., 40 Wall Street, New York 5, N. Y. Also availabe is a study of **Schering Corporation.**

Florida Bonds—Bulletin—Pierce-Carrison Corporation, Barnett Building, Jacksonville 1, Fla.

Houston Banks and Trust Companies—Semi-annual analytical comparison as of June 30, 1953—B. V. Christie and Company, First National Bank Building, Houston 2, Tex.

Japanese Companies—Earnings performances and dividend payments of major companies during period ended May 30, 1953—in current issue of Weekly Stock Bulletin—The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

New York City Bank Stocks—Comparison and analysis of 17 issues as of June 30, 1953—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Railroads—Bulletin on outlook—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Tobacco Stocks—Reappraisal—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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Alabama Gas Corp.—Memorandum—Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Alleghany Corporation — Circular — Hardy & Co., 30 Broad Street, New York 4, N. Y.

Aluminum Co. of America—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

American Hospital Supply Corp.—Memorandum—Sills, Fairman & Harris, 209 South La Salle Street, Chicago 4, Ill.

American Natural Gas Company—Brief review—Orvis Brothers & Co., 14 Wall Street, New York 5, N. Y. In the same bulletin are also reviews of **Socony Vacuum Oil Company, Inc., New York Central Railroad,** and **Pennsylvania Railroad Company.**

Blockson Chemicals Co.—Analysis—Gerstley, Sunstein & Co., 121 South Broad Street, Philadelphia 7, Pa.

Bohn Aluminum and Brass Corporation—Analysis—F. S. Moseley & Co., 14 Wall Street, New York 5, N. Y.

Burlington Mills Corporation — Analytical brochure — Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Central Maine Power Co. — Analysis — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Colonial Airlines, Inc.—Analysis—Pershing & Co., 120 Broadway, New York 5, N. Y.

Columbia Gas—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available are memoranda on **Pennsylvania Railroad** and **Western Union Telegraph Co.**

Consolidated Grocers Corp.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill. Also available are memoranda on **Lake Superior District Power Co.** and **Wisconsin Power & Light Co.**

Edna, Texas, Waterworks & Sewer System Improvement & Refunding Revenue Bonds—Circular—Rauscher, Pierce & Co., Milam Building, San Antonio 5, Tex.

Famous Players Canadian Corporation, Ltd.—Review— Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada.

International Cellucotton Products Company—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. In the same issue is an analysis of **Safway Steel Products, Inc.**

Lehigh Valley Railroad—Bulletin (No. 134)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Gulf, Mobile & Ohio Railroad** and **Texas Pacific Land Trust.**

W. L. Maxson Corporation—Report—Hecker & Co., Liberty Trust Building, Philadelphia 7, Pa.

Metal Textile Corp.—Memorandum—Miller Securities Co., 39 Broadway, New York 6, N. Y.

Milwaukee Railway Company — Progress report — Link, Gorman, Peck & Co., 208 South La Salle Street, Chicago 4, Ill.

National Home Corporation—Bulletin—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

New York Central—Bulletin—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Republic Steel Corporation—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available is an analysis of **New York, Susquehanna & Western Railroad, Pennsylvania Railroad Company, Peoria & Eastern Railway,** and **Tennessee Central Railway.**

Revere Copper & Brass, Incorporated—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Riverside Cement Company—New analysis (Report C-20)—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Runnemede, N. J. Sewerage Authority—Descriptive folder on $1,400,000 revenue bond issue—Boland, Saffin & Co., 20 Pine Street, New York 5, N. Y.

Simpsons Ltd.—Data—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y. Also in the same bulletin are data on **Continental Can** and **Crown Cork & Seal.**

Standard Power & Light—Memorandum—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Textron Inc.-F. Burkart Manufacturing Co.—Memorandum—Blair, Rollins & Co., Inc., 44 Wall Street, New York 5, N. Y.

United Illuminating Co.—Memorandum—White, Weld & Co., 74 Elm Street, New Haven 10, Conn.

Union-Management Conference No Panacea of Labor Peace

By CLARENCE E. BONNETT
New Orleans, La.

Mr. Bonnett, in pointing out shortcomings of nationwide labor-management conferences and agreements, calls attention to persistence of strikes where such conferences have existed, and the opportunities afforded for collusion between managers and labor at expense of consumer.

Dr. C. E. Bonnett

The failure of the conference called by Secretary of Labor Durkin, under the Eisenhower plan, to agree on amendments to the Taft-Hartley Act tends to show the inadequacy of such conferences to solve the labor-management problem. President Eisenhower has enunciated two directly contradictory principles (in different connections): (1) that representatives of unions and management should get together and, by working out agreements, solve the problem of the industrial conflict; (2) ". . . common sense and common decency alike dictate the futility of appeasement. . . ." Union officials demand the repeal of the Taft-Hartley Act and the restoration of the pro-union Wagner Act [President Meaney of the AFL admitted that the Wagner Act was frankly on the side of unionism]. On the other hand, officials of the National Association of Manufacturers advocate the elimination of industry-wide collective bargaining, and no weakening of the Taft-Hartley Act. There is no common ground for agreement. Some one must yield—there must be "appeasement"—who will do it and at whose expense?

Settlement of labor disputes by conferences between union and association officials has been tried in the United States for many years. Probably the most noted series of conferences are those between the molders' union and the stove manufacturers' association, dating from 1891, and have been erroneously characterized as producing 62 years without a strike. Likewise, there were long series of conferences between the iron and steel workers' union and the iron and steel manufacturers over the years 1863 to 1903, but these were disrupted at times by serious strikes. Conferences in the coal industry (anthracite and bituminous) are well known. In the men's and women's garment industry, collective bargaining has taken place for over 40 years. The building industry has engaged more extensively in collective bargaining than any other industry. The record could be greatly enlarged.

But what does this record show? Industrial peace? Uninterrupted production and continued services to the consumer at the lowest possible cost? For years the building industry has led all others in the number of strikes. Coal mining and the steel industry have been noted for their "labor wars," and the stove industry has been plagued by "stoppages of work" or unauthorized strikes. When appeasement gains seem too little, strike losses mount, and the consumer pays again.

Moreover, the consumer has not only had to endure the interrupted production of goods and services, but has paid higher prices because of the collusion of association and union officials in restricting production and boosting the price. In addition, notably in the building industry and on the waterfront of our cities, graft and corruption were the inevitable concomitants of that collusion. Collective bargaining was collusive bargaining, and appeasement placated "the aggressor by the false and wicked bargain of trading honor for security." But the "security" of fixed prices was all at the expense of the consumer.

One has only to hear or read the "conference proceedings" to learn how "awful" competition and the Sherman Anti-Trust Act are when applied to the conferees. Nothing whatever is said about the consumer's rights in any favorable way. Until recently, much of the appeasement was directed against the efficiency of new machines and processes. The stove industry under the conference agreements was notoriously inefficient. The garment workers' unions, however, allowed more efficient methods, even encouraged them, but "policied" the industry against the "cutthroat competitor." Men, however, have been more the victims of this price fixing than the women, who resorted to the sewing machine themselves or hired a dressmaker. Hence, the industry had to be more efficient than the home dressmaker. But restriction of immigration, minimum-wage laws, laws against "tenement factories," and even professional goons have not entirely eliminated the non-union "cutthroat" manufacturer.

In any case, the real problem will not be solved from the viewpoint of the general public by agreements worked out in secret conferences between union and association officials. One of the most serious objections to industry-wide collective bargaining is its collusive effect upon the consumer. Union condemnation of the "minifon" is understandable in the light of the revelations which might be made of what takes place in the conferences. Too many persons have been misled by the written agreements; too few know what the secret understandings have been. Publicity of the conference proceedings might lessen the labor wars, especially those against the "cutthroat competitor." Genuine representatives of the consumer—not the professional "arbitrator," "mediator," and the like—are entitled to participate in any conferences which so vitally affect the consumer. Such participation would at least lessen the probability of collusive bargaining, which consummation, however devoutly wished for, is hardly to be expected while collective bargaining is the vogue.

G. D. Murdoch With Dempsey-Tegeler Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—G. Donald Murdoch and John O. Alsup have become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Murdoch was formerly manager of the underwriting department for Morgan & Co. Mr. Alsup was with Akin-Lambert Co., Inc.

George R. Frost Joins Gross, Rogers Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George R. Frost has become associated with Gross, Rogers, Barbour, Smith & Co., 559 South Figueroa Street, members of the Los Angeles Stock Exchange. Mr. Frost was formerly an officer of Floyd A. Allen & Co.

Geoffrey G. Whitney

(Special to THE FINANCIAL CHRONICLE)

Geoffrey G. Whitney, partner in Harris, Upham & Co., New York City, passed away.

Joins Oakes & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Estelle Alexander has joined the staff of Oakes & Company, Ingraham Building. Miss Alexander was previously with Bache & Co.

The Korean Armistice— A Queer Document

By JOHN W. BECK

Financial Editor of "Daily Oklahoman," Oklahoma City, Okla.

Mr. Beck scores Korean Truce as "queerest document in all history," and says under it no established government will accept responsibility to guarantee that bandit aggressors of North Korea and Red China will abide by agreements they make. Holds what has happened is that, through the UN, the U. S. becomes involved in an agreement to protect bandit aggressors whom they have been fighting. Predicts unified Korea will not be accomplished.

The queerest document in all history has been executed. This document is alleged to be an armistice between the United Nations organization on the one hand, implemented by the government and armies of the United States, and Communist aggressors on the other hand.

John W. Beck

With just what Communist aggressors are we signing? Nam Il signed for what is left of his forces, but there is no North Korean government; and two-thirds, or more, of the people who once resided in North Korea are now south of the 38th Parallel where they fled from the Communist rule or surrendered for sanctuary.

When the terms of the armistice were drafted, however, the bandit aggressors, who claim no official connection with any existing government, demanded guarantees from the United Nations, to be enforced by the government and armies of the United States, to prevent the recognized government of Korea from defending itself against them.

Bandits Protected

Since no established government will accept responsibility to guarantee that the bandit aggressors of North Korea and Red China will abide by any agreements they make, these same bandit aggressors are left free to reorganize new aggression under new generalship. In the future the Red signatories to the present armistice can say, "We who signed the agreement at Panmunjom have nothing to do with this new aggression. These are new 'volunteers' who are now fighting for 'agrarian reform.'" Who could say nay, and just what could the UN and the United States do in such an instance?

What is happening, in effect, is that the UN, and through that organization the United States, becomes involved in an agreement to protect the bandit aggressors against whom they have been fighting. It appears that they agree to desert the recognized government of Korea and restrain that government by force, if necessary, from attempting to protect itself from further banditry in its efforts to reunify the Republic of Korea.

It is unlikely that anything ever will be done to re-invest about six million North Koreans, now in South Korea, with the lands and properties from which they have been driven. These lands and properties north of the 38th Parallel will, under the terms of this new agreement as we know them so far, automatically go as a reward to Red banditry.

Justifying Surrender

It can immediately be argued that political discussions will take place which will be designed to bring about the unification of Korea (a means short of force). It will be said, too, that this constitutes honorable procedure which justified the armistice. Such an argument will, when offered, be stretching the imagination beyond all reasonable limits for an interpretation of honor.

No one who has studied Communist methods will be so foolish as to imagine that political talks will ever suffice to take from Red enterprise that which it has already annexed. None but the most naive will ever believe that the unification of Korea can be accomplished by political approach. And again the question immediately arises, with what government will these political talks be held, or is it intended that we shall continue dickering with a bandit group utterly devoid of responsibility?

An editorial in the July 20 issue of "Life" points out that during his campaign, Mr. Eisenhower promised only to end the stalemate in Korea; he did not promise victory. . . . "What he promised instead was a new, dynamic foreign policy which would transcend the world-wide political stalemate, even if it did not transcend the 38th Parallel." Re-examining the campaign speeches, "Life's" analysis appears to be the shocking truth.

Dilemma Stands

In the same editorial "Life" further observes that under the circumstances cited above, "President Eisenhower can (now) in good conscience sign away the first war the U. S. has not won," thus ridding himself of an inherited dilemma. It is true that Mr. Eisenhower can sign away the war, but it is questionable whether he can do it "in good conscience." Obviously, even though he signs away the war and gets rid (temporarily) of that particular problem through surrender, he will not be ridding himself of the dilemma.

The dilemma in which Mr. Eisenhower still finds himself—in which we all find ourselves—is our obligation, by treaty through charter, to the United Nations. So long as that treaty exists, Mr. Eisenhower, and all United States Presidents who follow him, will be bound to the dictates of that organization, even though they destroy our honor and wreck our nation.

The war in Korea could have been won as long ago as the Inchon landing, and numerous times since then. It could still be won if the UN had the will to win it, or if the United States were free of that organization and if our Government had the will to back up its own commitments and traditions. All of this has been verified in writing by several of our field Generals who have operated in Korea.

Instead, we are now witnessing the shameful spectacle of representatives from so-called "neutral" nations hovering like vultures while waiting for the UN to deal the death blow to President Syngman Rhee and the little Republic he founded. Is this honor?

Closing of New Jersey Highway Authority Garden State Parkway Bonds

Two Commissioners of the New Jersey Highway Authority July 24 received a check from banking representatives of the nationwide group which recently marketed the New Jersey Highway Authority Garden State Parkway Bonds, Series A, under the management of The National City Bank of New York, Lehman Brothers, The Chase National Bank, Bankers Trust Company, First National Bank of New York and The First National Bank of Chicago. The sale of the bonds, which are state-guaranteed, marked the initial public financing for the projected $285,000,000 Garden State Parkway to extend from Paramus and Paterson to Cape May. The entire 165-mile parkway will be completed and in operation in late 1954.

Standing, from left to right are D. K. Pfeffer, Vice-President, The National City Bank of New York; Orrie de Nooyer, Secretary, New Jersey Highway Authority; Bayard L. England, Vice-Chairman and Treasurer, New Jersey Highway Authority; and Frank Morse, Lehman Brothers. The ceremony took place in the New York offices of The National City Bank of New York.

Continued from page 2

The Security I Like Best

son lies in the wonderful record which this company has established. A guess may also be hazarded that part of the reason may lie in the hope of a further improvement in the dividend.

While the common stock equity is over 38% of the capital of the company the actual number of shares outstanding is not large in relation to the present size of the company. It would seem logical that the management should give consideration to splitting the stock two for one to permit a million shares to be outstanding. Such a split occurred in 1948.

My conclusion is that if you want a sound operating utility stock in a territory that is just beginning its real growth and one which should continue to give a satisfactory investment performance you should consider Tucson Gas Electric Light & Power Co., traded in the over-the-counter market.

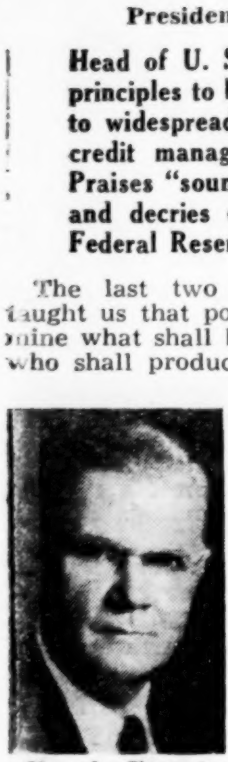
H. J. Lange Co. Formed in St. Louis

ST. LOUIS, Mo.—H. J. Lange & Co., Inc., has been formed with offices in the Boatmen's Bank Building to specialize in mutual funds. Officers are Harry J. Lange, President, and Bert J. Queen, Vice-President and Secretary. Mr. Lange was formerly an officer of Slayton & Co., Inc.

Return to Sound Money Policies

By CHARLES L. CLEMENTS*
President, United States Savings and Loan League

Head of U. S. Savings and Loan League, after laying down principles to be followed by savings institutions, calls attention to widespread interest in national problems of monetary and credit management, because of the 50 millions of savers. Praises "sound money" policies of Eisenhower Administration, and decries efforts of some members of Congress to have Federal Reserve resume support of government bonds at par.



Chas. L. Clements

The last two decades have taught us that politics can determine what shall be produced and who shall produce it, what shall be consumed and who shall consume it, what we shall eat and wear, and finally, on the great issue of war and peace, whether we shall live or die.

How people feel, what they believe and how they vote means more to us than making money. In fact, people can put us out of business or vote our money away from us—obviously, we are going backward as a group if, while making a dollar, we lose a potential ally. The future security of American business cannot be much better or much worse than the economic understanding and attitude of the American voter.

There is not a single businessman who does not influence many people, perhaps many more than he thinks. If a great body of businessmen would take an active interest in politics, starting in their own communities and own states, they could be one of the greatest and most constructive forces in our country today. Businessmen are accustomed to a vote of confidence each day through the medium of the cash register. They know that the only thing that makes a cash register ring is the confidence of the public which comes as a result of honest service and honest values. As a natural result of their background and training they could bring to government at home and in the nation's capitol the factual approach that has become a matter of habit with businessmen in business life.

It has been said that any foundation, no matter how much decayed material there may be, is safe so long as there remains sufficient sound material to carry the load. Our savings and loan industry represents approximately one-third of our population, and more important, we represent the thrifty, home-loving families of America. These 16 million families, perhaps some 50 million people, can and perhaps will be the foundation of the America of the future. They are the great American middle class which has made your business and mine what it is, and perhaps have made a greater contribution than any other group toward the material progress and sound economy of this country.

Principles for Savings Associations

In adjusting our methods, our thinking and our attitudes in an effort to orient ourselves more closely with the thinking, understanding and needs of other people, I believe there are a few principles upon which we can quite well depend.

(1) In a representative democracy such as our republic is, we believe that the decisions of the majority arrived at after open discussions are better through the years than the decisions of a self-appointed few. However, the fact that in a democracy the majority's opinion prevails should not be misconstrued as an excuse for offending the minority.

(2) The regard in which we will be held by the public will not be much better, neither will it be much worse than the average training and attitude of our employees.

(3) Our reputation as savings and loan executives will not be much better and not much worse than the soundness of our mortgage loans and other investments. Somehow people have a way of finding out what our methods really are.

(4) While the Federal Savings and Loan Insurance Corporation insures the public, the only insurance that you and I as managers have are:

(a) Adequate loss reserves.

(b) Sound investments and mortgage loans.

(c) Liquidity.

We recognize that politics carry a lot of anticipation and a lot of disappointments. However, what the American people think of us, our services, our attitude, the soundness of our program will, through the years, be the determining factor in what politics will do for us or against us.

It is, of course, difficult to say what the attitude of the people and the government will be in the event of another depression, in terms of government support. Our government has in the past 20 years bailed out the different segments of our economy, in fact, bailed the world out until it has bailed itself in debt to the extent of some $265 billion.

If we in America as farmers, merchants, manufacturers and professional men are going to continue to insist that the Federal Government take all the losses incurred by our business groups, isn't it only logical that the government will eventually conclude that if government must absorb the losses, it must, of necessity, also take the profits. If you and I and the balance of us continue voting for such a program, there is only one logical conclusion, government ownership of everything.

Threat of State Socialistic Laws

While it is true that quite a number of socialistic ideas have been quite thoroughly discredited in Washington, a lot of them are now seeking more fertile fields in the capitols of the 48 states. The proponents of these schemes are being aided in too many cases by business people like you and I and our competitors, who are thinking too much about imposing restrictions on competition and too little about fighting socialism at home. Too many of these ideas are today being sponsored by jealous or timid business groups, jealous of their competitors, or just downright afraid to face competition on their own. A lot of our colleges are today teaching what is the apparent fact: namely, that a great part of restrictive legislation now in the form of Federal or state laws, is the direct result of the demand of some business groups to impose unfair, unjust, ill-advised and burdesome restrictions on their competitors. They do not seem to understand that competition is the life blood of business, that competition has been the mainspring of their industrial progress which, in turn, has helped America to lead the fight for a free world.

Is it not time that we and our business friends understand that we can never get any place by trying to subsidize ourselves and socialize our competitors either at the Federal or state level? Is it not time that we businessmen everywhere take a concerted stand against socialistic legislation of any nature affecting any segment of the nation's business? If you and I, as businessmen, permit business in this country to be socialized, one at a time, or piecemeal, we are a party to the piecemeal vivisection of the American system of free enterprise and individual opportunity. It was Ben Franklin who made the statement: "We can hang together or hang separately!"

There are many reason for strong state savings and loan leagues and the fact that we must not only be on guard against socialistic legislation in Washington, but also in the 48 state capitols in another compelling reason for having strong state savings and loan leagues as well as a strong United States League.

It is quite possible that within the next few years the major battle against creeping socialism will be fought in the state capitols and I hope that our business, state by state, will meet the issues of public housing, direct lending and socialistic legislation of any nature and kind with the same uncompromising attitude that has characterized the program of your national organization during the last 60 years.

Since politics and government have so much to do with our future, and since we can only influence government by influencing people, it becomes obvious that the prime objective of our trade organizations, the U. S. League and the state leagues, should be better understanding of people, and better understanding of people includes better understanding of people in competition to us. If we would oppose restrictive legislation as vigorously for the other fellow as we would like him to do for us, perhaps he will be more inclined to come to our aid in the event our business should come under attack.

Public Interest in Monetary and Credit Management

As spokesman for some 16 million thrifty and home-loving families, perhaps comprising some 50 million people, we in the savings and loan business have a direct and continuing interest in monetary and credit management. It is not a question of whether or not we shall have Federal money management — we already have it through the Federal Reserve System, as a result of support from Democrats and Republicans alike. Our only concern therefore is the intelligent application of controls over, and management of, credit.

As trustees for the home-loving families who have savings accounts with us, we naturally want to, and must, endeavor to pay back to our customers dollars that will be worth as much a few years hence as at the time they were entrusted to us. We are, therefore, vitally concerned, first, with the matter of uncontrolled inflation; and second, with deflation which automatically follows uncontrolled inflation, destroys the monetary value of the security behind our mortgages—the American home. Obviously we should support any measure to prevent extremes of inflation or deflation.

Our experience has been that the further inflation is allowed to go, the more extreme will be the collapse. Our present system of monetary and credit controls are based on the premise that such controls be used for contracting credit in time of inflation, and to expand credit in time of deflation. The Administration today is in the process of using these controls as they were intended to be used, that is, to have as in so far as possible, a stabilized economy.

The major vehicle being used by the Eisenhower Administration in its drive for a stable economy is its vigorous pursuit of a "sound money" policy some call it a "hard money" policy. As you all know, there has been an increasing amount of speculation over the advisability of this program, and for the sake of clarity, I will spend a few minutes talking about it. In the first place, I think it is important to realize that the present program of sound money really began back in March, 1951, when the Federal Reserve Board —in an historic decision—withdrew its support of the government bond market. Two things have happened in the money market in the wake of this action: First, government bonds then outstanding dropped below par and have stayed there and; second, interest rates on Treasury issues offered since that date have risen steadily.

These developments have had a much more dramatic and beneficial effect upon the average American than he realizes. They meant the abolition of the "push-button" inflation which accompanied the unlimited Federal Reserve support of the government bond market.

The Policies of the New Administration

In its tenure so far in office, the new Administration has been working to reinforce and strengthen this program of sound money with a series of courageous and far-sighted actions. Two of the most significant things it has done to date are:

First, it has begun the conversion of part of the maturing public debt from short-term into long-term issues.

Second, it has raised the interest rates on government — guaranteed and insured home mortgage loans.

To put it in a few words, the policy of the new Administration is based on the belief that it is wiser and less costly for the Federal Government to pay more on the public debt and thereby avoid inflation than it is for the government to sponsor inflation through a "cheap money" program and then pay inflated prices for all the goods and services it buys.

This is, in my opinion, good reasoning—reasoning that is indicative of the fact that we have in the new Administration men who respect and appreciate the need for retaining the value of savings.

It is true that some persons have expressed deep concern over the monetary policies of the national Administration. These persons include some substantial businessmen who realize that with the rise in interest rates, they will have to pay more for new capital and financing. But why should not the line of reasoning adopted by the Administration also apply in these cases? It would be better, in the long run, for a business or an industry to pay slightly more for its working or expansion capital than to get "cheap money" and then face further inflation in operating costs.

Complaints in Political Quarters

We are also hearing some complaints from political quarters on the sound money policy. About ten days ago, some 20 members of Congress urged that the Federal Reserve resume its support of government bonds at par. Frankly, it is almost incredible to think that just as some devastating blows are being struck at inflation, that there should be some in public life who would have us re-mount the treadmill of inflation.

In this connection, it would be premature to say that all the inflationary pressures are dead. Within recent weeks, the President and other Administration spokesmen have indicated that the budget will not be balanced in the fiscal year beginning July 1. If this occurs, it will mean further deficit financing and such a development would be, of course, clearly inflationary.

The moves the new Administration is making in the direction of a sounder dollar are commendable, they are in the public interest, and they are entitled to public support. For the sound money policy, the high officials of the Treasury and the Federal Reserve Board deserve the thanks of millions of Americans who own savings accounts, insurance policies and other forms of savings. The victims of inflation—the widows of war veterans, pensioners, the aged who had planned to live out their lives quietly on accumulated savings—have found new champions in Washington. At long last, the rights of those who live on relatively fixed incomes have been recognized.

The course pursued by the Eisenhower Administration in restoring stability in our currency is the clean and intelligent way to fight inflation. The program of credit management that has been unwinding is, also, far more desirable than the red-tape, confusion and dictation that marked the abortive attempts to curb inflation through direct controls. Furthermore, it is not too much to say that the restoration of confidence in our currency is doing more good in financial circles around the globe than any single foreign policy move or gesture. Two examples are worth our attention. The first is in recent weeks there has been a flow of gold back into the United States, revising a trend of many years. The second is that the Canadian dollar, worth $1.02 in American money a few months ago, can now be had for 98 cents in American funds.

Of course, it would be less than fair not to acknowledge that the "sound money" program has not had a deflationary impact in some quarters. However, I think that perhaps the vast majority of us are in favor of making adjustments now in order to provide more stability in the future. The trouble is, none of us wants to take our individual adjustments. No individual wants to lose business, no individual wants to take a loss, no city wants to lose a defense payroll. However, we must understand we cannot make adjustments nationally, without making a good many personal adjustments in our own communities.

Opponents of the new Administration say they are supporting our present foreign policies, but are opposing our economic policies. By this, they mean they are opposed to the attempt to cut expenditures, balance the budget and move toward a more stable economy.

In our present great struggle for world peace, it is hard to tell what we have won so far on our foreign policies, either under the Democratic or the Republican administration. The one great catastrophe that would mean success for our enemy is the one thing the Kremlin is relying on and that is our economic collapse. If the war has not been won by our foreign policy, then conversely it can be lost by the collapse of our economic system.

It is quite obvious that President Eisenhower realized that the foundation arch of the structure of the free world is based on the economy of the United States. The success or failure of the efforts by himself and his associates to stabilize our economy will determine whether America will be able to maintain the economic and military leadership of the world. It would be hard to imagine the tragic consequences

*An address by Mr. Clements before the Southeastern Group Conference of the United States Savings and Loan League, Baltimore, Md.

if they should fail in this great undertaking.

I heard a silly story on the radio by Red Skelton, namely, that he found himself so terribly confused when he found he had one shoe on and one shoe off. He was unable to determine whether he was putting them on or taking them off! There are at least one billion people today trying to decide something just as silly — namely whether they will go behind the Iron Curtain or support free enterprise and the free world. . . .

The kind of government we maintain in this country will determine what the choice of these people will be. And the kind of government we have will depend upon the stability and strength of our economic system. That is why we cannot allow parties or politics to injure or impair our economic system.

The kind of politics we play here in this country during the next few years will almost surely determine the kind of a world we will live in not in 10 or 20 years, but for the next 100 years!

I feel I express the sentiments of the savings and loan business of the whole country in supporting President Eisenhower in his statesmanlike effort to make a few sacrifices now in order to establish a sound economy in the United States of America.

The savings and loan business has weathered 13 major depressions, survived five wars and is today a greater influence than ever in both of its chief phases of activity—thrift and home ownership. If it is necessary for us to take a few adjustments in our business, if it is necessary for us to encourage our customers to take a few adjustments and losses due to the very nature of our business, we owe it to ourselves, our customers and to the nation to do so, and to encourage the other fellow to do likewise.

I feel that I express the sentiments of the savings and loan industry in this country when I say that we are willing to stand up and be counted in support of President Eisenhower in his statesmanlike effort to make a few adjustments, if necessary, politically or otherwise, in order to establish and maintain a sound economic system in the United States of America.

Following Mr. Eisenhower's speech a few nights ago, one of the great papers in this country had the following to say:

"Mr. Eisenhower did not propose or support any proposals in Congress for tax relief at this time; neither did he promise that the budget would be balanced in 1953-54. It seems fair to assume that he did not hold out any such hopes because he knew that he could not do so with complete intellectual honesty."

If there was ever a time when complete intellectual honesty should be the watchword, it is now—if there is any one area of government where complete intellectual honesty might be more important than in another, it is in that phase having to do with the control of credit and the preservation of the integrity of the American currency.

The savings and loan and cooperative bank business is now approaching the $25 billion mark. The obvious potential of our business justifies the forecast that we will double in the next decade. Such success in the business will depend largely upon our willingness and our ability to discharge our obligation to others at the ballot box and in our offices — what we practice, not what we preach will determine our consequence among men.

THE MARKET . . . AND YOU

By WALLACE STREETE

What consolation there was in the stock market's behavior this week was mostly of a negative sort. It was mildly encouraging that the Korean armistice had been discounted well in advance, leaving little surprise selling to be absorbed; that the weakness that did crop up didn't attract heavy liquidation and that there was little follow-through to what was a breakout from a trading range on the downside.

* * *

None of this was the least bit consoling to the rather large group of market students who have held that a Korean settlement was necessary before the stalled summer rally could get going again. Instead, the week's action seems to indicate that the market is far more willing to test the June lows than it is to fulfill the hopes of the bullish contingent.

* * *

Until it actually arrived, the Korean peace has been the dominating market factor all year, at least from a statistical basis. Best volume of the year was posted when the talks suddenly resumed late in March. The climactic selling that ended this pressure marked up the year's broadest market. The widest one-day changes in the various averages were also induced at that time.

* * *

But when the actual event arrived, the stock market, like the politicians, didn't seem to know quite how to take the *fait accompli*, particularly since there was little left to discount on what probably were the most drawn-out peace negotiations in the history of warfare.

* * *

Little Bullish Comfort

Like the market generally, the major groups offered little in the way of solace. The fact that **Chrysler** and **General Motors** joined the group of issues seeking new low ground and a base on which to make a stand was somewhat chilling to the optimists, although hardly surprising in light of all the uncertainty raised by various and conflicting "surveys" of how bad, or good, the automobile business will be for the rest of the year.

* * *

The highly-touted rails were the outstanding disappointment. They had been regarded widely as being the logical leaders on the upturn, particularly with the flood of good earnings statements coming along. Instead they chose to lead the way down this week on the handy but not necessarily correct theory that investors were cool toward them because of an end to the military and defense business. **New York Central** was outstanding in that it was able to drop a point in a couple of days against the fact that it took repeated appearances at the head of the most-active list to add that much to its value.

* * *

Less Aircraft Worry

Considering that they logically might be the No. 1 candidates of peace selling, the aircrafts turned in a performance that was comforting to a great measure. A minority view that the prime airframe producers will fare well despite Korea is being borne out both by the offical contract cancellations and the excellent earnings reports started by **Douglas Aircraft** which more than doubled profit in the first half of the year, paving the way for an increase in the regular dividend and an extra to boot.

* * *

The Savings Banks' Equity Policy

A disproportionate amount of attention centered on what the savings banks are doing in the common stock field through the Institutional Investors Mutual Fund set up to handle such investments. Although its commitments total only $3,500,000, it drew the spotlight because of the top-flight thinking it represents.

* * *

The report showed leading holdings, in order, to be utilities, 18.5%; oils, 14.2%; food, 10.9%; retail stores, 10%; tobaccos, 9.6% and chemicals, 8.6%. Significantly, no holdings were listed in the steels, motors, building or machinery issues. This slight to the heavy goods industries was certainly deliberate. Despite some of the spirited arguments against such a policy, particularly as it relates to the steels, recent market action lends merit to such a course.

* * *

Steels have somewhat more champions than the other groups which is probably due in part to the earnings reports that show business was good. Comparisons, however, are faulty because of the steel strike last year. Nevertheless, the seemingly logical appraisals to show steelmakers could do well on considerably less than capacity operations get little attention at a time when caution is so prevalent not only in the market but throughout the economy. Nor does it help that most of the leaders, **Republic Steel** excepted, made their best prices in 1951 which is a rather long way off now.

* * *

The high standing of oils in this professional lineup was something of a surprise. This group has been under pressure for months and most of the issues have fared far worse than the averages which are some 8% below the highs of early in the year. Some slim evidence, other than the savings bank preference, has been around to indicate a growing interest in the group. **Pacific Western Oil**, notably, has been able to go into gyrations occasionally even when the market was dull.

* * *

Soft Drink Strength

One long-depressed stalwart of bygone trading, **Coca-Cola**, has been showing a bit of life recently. Often cited as an illustration of how averages don't show the full market, Coca-Cola sold as high as 200 in 1946 when the Dow industrials were far lower than at present. This, moreover, was on a $4 dividend. On $5 payments in 1950 and last year, the best it could hit was 165 and 118 respectively. The issue made its low of 108 early this month, ignoring the fact that soft drink issues are normally popular with investors during the hot weather, and did little for a couple of weeks. In the last week it has been able to do well in strong markets, adding as much as a couple of points. Now it is half a dozen points above the low despite the lackadaisical action elsewhere in the market.

* * *

The coppers were the casualties of the week. **Kennecott** and **Anaconda** broke to new lows on unsettled conditions in the world markets for the red metal. It inspired some caution among the other nonferrous metals which reaction, however, failed to do much to the aluminum issues.

* * *

Technicians found little in their charts of a definite nature. Industrials and rails continue to hover roughly midway between the June lows and the recovery highs, leaving room on either side before they do anything decisive. In fact, most of the chart followers were reduced to watching the highs and lows of the previous week trying to ferret out a hint to the future. And that is carrying it down to a real fine point.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Olaf A. Sorenson Now With Fahnestock Co.

CHICAGO, Ill. — Fahnestock & Co. announce that Mr. Olaf A. Sorenson has become associated with the firm in the Chicago office, 135 South La Salle Street. Mr. Sorenson was formerly with Mitchell, Hutchins & Co., and prior to that with James H. Oliphant & Co. He has been in the investment securities business for more than 25 years.

Olaf A. Sorenson

Joins A. B. Hogan, Inc.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Peter A. Boukidis has been added to the staff of Arthur B. Hogan, Inc., 1673 Waynescrest Drive, members of the Los Angeles Stock Exchange.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Rudolph Wihl has become affiliated with Shearson, Hammill & Co., 9608 Santa Monica Boulevard, Mr. Wihl was formerly with Hemphill, Noyes & Co. and Shields & Company.

The Capital Gains Tax—Most Damaging to the Investor

By G. KEITH FUNSTON*
President, New York Stock Exchange

Calling the Capital Gains Tax law an Iron Curtain which divorces venture capital from industrial growth, Mr. Funston proposes tax law be amended so as to: (1) reduce holding period from six to three months; (2) reduce the rate of the tax by one-half, and (3) increase the maximum capital loss offset from $1,000 to $5,000 annually, with a carry-over period of five years. Says lower tax rate would induce more capital assets transfers, and thus enlarge revenue from the tax.

I think that we of the nation's largest organized securities market are in a good position to observe the effects of the Capital Gains Tax law on investors and on this country's industrial growth potential. We realize, too, the great responsibility of your Committee — and we have tried to approach this problem with a view to suggesting tax reforms which will bring the most revenue to the government while safeguarding the best interests of our economy and the nation's investors.

G. Keith Funston

It is important to bear in mind that the Capital Gains Tax is not a tax which affects only a privileged few. Of all individuals reporting capital gains taxes in 1950—the latest year for which figures are available—42% had incomes below $5,000. And 74% of the capital gains returns were from people with annual incomes under $10,000.

The present Capital Gains Tax law can be described as an Iron Curtain which divorces two of the most dynamic factors in American Capitalism—venture capital and industrial growth.

The policy of taxing capital gains as income is rejected in virtually every country in the world —Canada, for instance, one of the world's fastest growing nations, does not have a Capital Gains Tax. Why this tax is perpetuated in this country—why we persist in treating capital gains as a form of income—is something I just can't understand. The unfortunate effect of the tax is that too many people refuse to put their money to work in venture enterprises.

Most Damaging to the Investor

The Capital Gains Tax is the most damaging of all Federal taxes to the investor because it shackles the will to venture.

Why does an investor risk his funds in an untried enterprise? The answer is clear: he takes the risk, not only for the income which he expects to earn by putting his capital to work, but, even more, in the hope of increasing his capital and in turn his future earning power.

However, the present heavy taxation of capital gains causes even the most venturesome investor to hesitate to make risk investments in new enterprises — no matter how promising. If he does take the risk and the investment proves successful, he is slow to realize profits which must be divided with the tax collector.

It is the risk-taker, the venturesome investor, whom our tax laws should encourage, not discourage. Instead, the present law acts to lock in the venturesome investor, thus making his capital static rather than dynamic.

*A statement by Mr. Funston before the Ways and Means Committee of the House of Representatives, Washington, D. C., July 28, 1953.

The conservative who invests in seasoned securities — such as those listed on the New York Stock Exchange—is locked in in the same way. He also hesitates or declines to take a profit because he knows the Capital Gains Tax, by taking a large share of any profit he may have, will dilute his capital and reduce his earning power.

In short, the Capital Gains Tax law freezes out those who would like to become partners in American industry and freezes in those who now own securities.

The most disturbing result of this premium on inaction is not the injustice done the individual. Actually, the prime sufferer is the national economy. The acute shortage of venture capital for new and untried enterprises is a matter of concern to businesss leaders, economists and government officials. And established enterprises, to meet their capital needs, are relying to an unhealthy degree on debt financing.

The American economy has an insatiable need for new capital —$6 to $8 billion annually, for instance, just to provide the tools and equipment necessary to put each year's normal addition to the nation's labor force to work productively. The total capital spent by corporations last year for new plant and equipment and for replacement of existing facilities was more than $23 billion.

But industry could raise only $2 billion, $500 million of that total by the sale of equity securities. The difference was made up by debt financing, by retained earnings and by depreciation charges. Consequently, it is neither surprising nor reassuring to discover that all corporations in this country had amassed a gross debt of more than $190 billion by the close of 1952—almost double what it was when World War II ended.

I know that no emphasis is necessary here on the dangers inherent in over-burdening any enterprise with debt. For debt—a dead weight on the company's earnings—must be met come what may.

How the Tax Retards Capital Growth

Let's take a closer look at how the Capital Gains Tax law retards the growth of capital:

If a capital investment turns out to be successful—and a profit is realized — the government claims as its share up to 92%, depending upon the length of time the investment is held and the tax bracket of the investor. If the capital asset is owned for not more than six months, the profit is taxed at the straight income tax rates applicable to the particular seller. If the investment is held for more than six months the profit is taxed at a rate running up to 26%.

Should the investment turn sour, that's another story. The tax collector, although he insists upon being a full partner in all gains, drastically limits his participation in any losses. To the saver, the present law looks like a "heads you win, tails I lose" proposition —the government taking a good part of the profit from successful ventures but providing relief against loss on a basis which, at best is too little and too late.

All securities aren't sold at a profit. Suppose your shares cost you $19,000. You have to sell them and the best price you can then get is $12,000. You take a $7,000 loss. What happens then? Your loss can be used to offset any capital gains you may have that year or in the five following years. But, if you have no capital gains, the loss can be used to offset only $1,000 of income the year that the loss occurred, as well as the same amount in each of the five following years. In other words, an investor who takes a $7,000 capital loss in a given year, with no offsetting capital gains, can write off only $6,000 of the loss—and that only over a six year period.

Let's look at the problem from another angle. An investor decides to sell stock he has owned for more than six months because of his belief that another company in the same industry has better prospects. He gets $50 a share for his holdings and invests the entire proceeds in the company he prefers—also at $50 a share. But, because he realizes a profit on the stock he sells, he must pay a Capital Gains Tax on that profit. He may have to go into debt to meet this tax, since his second investment—actually only a share-for-share swap — makes him neither richer nor poorer.

This Committee demonstrated its awareness of the unfairness of such a levy when you provided that the home owner who makes the same kind of a "gain" on the sale of his home pays no tax if the proceeds are invested in another home within a year. Why, in all fairness, shouldn't the investor in securities be given similar consideration?

Rise in Value of Capital Assets Illusory

In recent years, the rise in value of capital assets has been more illusory than real, as Congress acknowledged in the case of home ownership. The rise in securities prices in the past dozen years has just about kept pace with the climb in living costs. The investor who sells 100 shares of stock which he acquired then may get more dollars for his investment than he paid. But, unless his shares almost doubled in price, the dollars he gets will buy less food, fewer clothes and poorer shelter than the dollars he invested originally.

This tax on his so-called gain is actually a penalty on thrift and an approach to capital confiscation.

By far the most incongruous feature of the Capital Gains Tax law is that the investor himself—not the law, the government nor the tax collector—makes the final decision to realize a profit and incur a tax. Such a tax can only breed inaction.

Unquestionably there are many thousands of investors who are refusing to impose this tax on themselves because they regard it as too punishing. A lower rate would induce many such investors to take their profit and pay the tax.

Equally unrealistic is the provision of the law that a profit is subject to the capital gain rate of tax only if the asset sold is held for more than six months. This provision of the law has brought a natural and inevitable result: Time has usurped the role of judgment.

An investor will hesitate—or refuse—to realize a capital gain on the growth that his capital has undergone if the improvement occurred in less than six months, regardless of the fact that both business judgment and common sense tell him to take his profit. If he is in a high income tax bracket, it is almost certain that he will not sell until six months have elapsed.

But by waiting, he repudiates his own best judgment, endangers his capital—and by his inaction, reduces the government's tax revenues.

Paradoxical as it may seem, the Capital Gains Tax law doesn't even promote the tax collector's best interests. Cold statistics show that a shorter holding period for determining capital gains increases tax revenues, while common sense tells us that a lower effective tax rate would produce an even greater volume of taxes.

In the years 1938-1941, for example, the law called for a minimum holding period of 18 months. In that period, Federal tax collections from capital gains were small and in two of the years—1940 and 1941—capital losses actually more than offset capital gains.

When the holding period was reduced to six from a minimum of 18 months, late in 1942, the beneficial effect of the shorter period quickly became apparent. In 1943 the Capital Gains Tax on individuals produced $266,000,000, and in 1944 the amount jumped to $354,000,000. The 1944 figure, moreover, has been topped in every succeeding year. For the years 1944-1951, inclusive, receipts of Capital Gains Taxes from individuals averaged better than $660,000,000 annually.

Of course the general rise in securities prices over the last 10 years also contributed to this revenue rise. However, the shortening of the holding period was, in my opinion, the principal reason for the improvement in the tax yield.

There is unquestionably a very direct connection between the present Capital Gains Tax rate and holding period and our present thin and inactive securities markets. The liquidity of the market—that is the ability of the market to absorb a large volume of either buying or selling with little change in prices—has been impaired tremendously by the Capital Gains Tax. Every person who buys or sells stock may be affected adversely thereby. For some time the turnover of shares listed on the Exchange has hovered around 13%—a record low—so that the securities industry has been suffering a private depression in the midst of great national prosperity. Such a depression if continued indefinitely can result only in a lowering of the services provided by the industry for the general public.

It is my deep conviction that any Capital Gains Tax cannot be defended on any basis of justice, logic or equity. At the same time, I realize as a practical person, that, because the Government needs huge sums of money, some form of Capital Gains Tax is inescapable at this time.

Recommended Revisions of the Law

Consequently, our recommendations are:

First: The holding period for determining whether or not a gain is to be taxed as ordinary income or is to be taxed at capital gain rates should be reduced from six months to three months.

A shortening of the holding period from the present six months to three months would improve considerably the liquidity of our capital markets. More active securities markets would facilitate the issuance and sale of new equity securities—thus strengthening our present economy and assuring our continued prosperity and growth.

A three-month holding period would not change the tax status of the securities dealer, nor of the short-term trader whose transactions represent, in any case, only a small proportion of all securities business. They pay taxes on their short-term trading gain at ordinary income tax rates. Its effect on the public, however, would be to permit the investor the same freedom of action at the end of three months which he now has only at the end of six.

There is, I know some opinion that the holding period was designed to distinguish between investment and speculation and to give investors more favorable tax treatment than speculators. It is, however, impossible to draw any sharp line between investment and speculation. Certainly the length of time capital assets are held has little, if anything, to do with whether the holding is of a speculative or investment nature.

If a holding period is desirable to enable the taxation of the short-term professional trader at ordinary income rates, the fixing of the holding period at three months —or even at one month—would accomplish this purpose equally well. Most of the individuals who fall into the short-term trader category are in and out of a security within a period of days, or, at most, two or three weeks.

If the Congress wishes to increase Federal revenues and at the same time encourage the flow of venture capital and equity funds, the shortening of the holding period to three months offers a real opportunity.

Second: The effective rate of the tax on capital gains should be cut in half.

At present, individual taxpayers must include as income for tax purposes 50% of any capital gains on an asset held for more than six months. If that percentage were reduced to 25 from 50%, individuals would acquire more freedom to switch their investments. There would be a real incentive for investors to realize billions of dollars of "paper profits," thus unfreezing present capital holdings and increasing the revenues of the tax collector. Probably most important of all, equity investment would increase in popularity as investors, having taken long-delayed profits, would reinvest their capital in new ventures, thus building a sounder financial structure for American business and laying the groundwork for more tax revenue in the future.

Third: The amount of capital losses which may be offset against ordinary income should be increased to $5,000 from $1,000 annually, with the carry-over period continued at five years.

The present loss provisions of the tax law are completely one-sided. Equitably, the tax deduction permitted as a result of a capital loss should be the same as the tax that would be required on a capital gain of identical amount. That would constitute parallel treatment. Such a provision, however, could, in a period of declining security prices, expose the Government to substantial revenue losses. Consequently, we are suggesting a more modest program —one designed to give fairer treatment to the average investor.

The latest available data disclose that, of the $245 million net allowable capital losses reported in 1950 on taxable returns of individuals, 68% were reported by persons with gross income under $10,000.

Even though the present law permits a five-year carry-over of losses, an investor in many cases does not have capital gains in following years against which to offset unused losses. The present allowable loss deduction of $1,000 a year against ordinary income was established in 1942. Since then the real value of such a sum has deteriorated considerably.

By increasing to $5,000 a year the allowable loss deduction against ordinary income, you would—at least for all except the larger investor—remove much of the present "heads you win; tails I lose" pattern of the present law.

Reduced Tax Would Increase Revenue

We believe, as I have said, that the first two of our recommendations—shortening the holding period and halving the rate of tax—would actually increase Government revenues—by reason of the

new taxes that would be collected on the additional capital transactions such changes would encourage. Increasing the loss offset allowance to $5,000 a year would, however, initially involve some revenue loss—we estimate, on the basis of the latest available figures, a maximum of $250 million a year. Even if this loss were not offset completely by the gain in revenues from the other changes proposed — although I think it would be—that would be a modest price to pay for the tremendous benefits to our entire economy that would result from adopting a tax program designed to encourage investment in American productive enterprise—and to make America a nation of share owners.

Corpus Christi Ref'g Common Stock Offered

Vickers Brothers of New York City, are offering at $1.50 per share an issue of 820,000 shares of common stock (par 10 cents) of Corpus Christi Refining Co.

The net proceeds from this financing will be used for general corporate purposes.

Corpus Christi Refining Co. is essentially engaged in the operation of a crude refining plant, an oil transportation system, and a sales organization, to purchase, process, manufacture and dispose of petroleum products. The company has acquired all of the stock of the Corpus Christi Exploration Co., for the purpose of exploring and developing its own production.

With McCoy & Willard

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla.—Henry L. Trudeau is connected with McCoy & Willard of Boston.

Joins H. E. Work Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Frank J. Kihm is now with H. E. Work & Co., 100 Bush Street.

COMING EVENTS

In Investment Field

Aug. 1, 1953 (Chicago, Ill.)

La Salle Street Women Summer Luncheon at Shady Lane Farm, Marengo, Ill.

Aug. 19, 1953 (St. Paul, Minn.)

Twin City Security Traders Association Annual Golf Tournament and Field Day at North Oaks Country Club.

Aug. 20-21, 1953 (Denver, Colo.)

IBA Rocky Mountain Group-Bond Club of Denver annual summer frolic at Albany Hotel (Aug. 20) and Park Hill Country Club (Aug. 21).

Sept. 15, 1953 (Omaha, Neb.)

Nebraska Investment Bankers Association of Omaha and Lincoln annual bond party at the Omaha Country Club. A cocktail party will precede Sept. 14.

Sept. 16-19, 1953 (Sun Valley, Ida.)

National Security Traders Association 20th Annual Convention.

Sept. 17, 1953 (Des Moines, Iowa)

Iowa Investment Bankers Association Field Day at the Wakonda Club.

Oct. 13-16 (Louisville, Ky.)

Association of Stock Exchange Firms Board of Governors Meeting.

Nov. 29-Dec. 4, 1953 (Hollywood, Fla.)

Investment Bankers Association of America Annual Convention at the Hollywood Beach Hotel.

June 9-12, 1954 (Canada)

Investment Dealers Association of Canada Annual Convention at Jasper Park Lodge.

LETTER TO THE EDITOR:

Denies Taxing Dividends Is Double Taxation

Richard Spitz, member of New Jersey and Maine Bars, holds dividends are received as a right of stockholdership, not as the shareholder's share in corporate earnings.

Editor, Commercial and Financial Chronicle:

The claim that taxation of dividends declared by corporate concerns is double taxation, as presented in your recent issue and containing the views of G. Keith Funston, President of the New York Stock Exchange, seems to be arbitrary in view and untenable in fact.

The taxation of corporate profit or earnings certainly cannot be questioned as a proper governmental action.

The payment out of those earnings or other corporate funds and declared as dividends, introduces the shareholder as the receipent of those funds, as a shareholder has no legal right to corporate profits, but has a legal right to dividends, as declared by the corporate directorate.

No matter how the dividends originate, there is the earmarking of corporate funds and the actual transfer of moneys from the corporation to the individual stockholder. The dividend is received as a right of stockholdership, not as the shareholder's share of the corporate earnings. There is no relationship between corporate earnings and a declared dividend, for the declared dividend is within the option and wisdom of the corporate directors or junior or senior stock agreements as to how and what shall be paid.

Presently, earnings are taxed as corporate responsibility and dividends are taxed as such in the hands of the individual shareholder. Therefore, how one may claim and declare that the same thing and the same people are twice taxed (which is what must be maintained to make out a case of double taxation) is the logic of corporate convenience and not the logic of factual deduction.

The raw metal taken from the ground, as in the case of aluminum, and the sale of the same very probably would develop a corporate profit; the aluminum is shapened by the purchaser into a vacuum cleaner which is also sold at a profit considered presently taxable.

To call the basic metal after it is shapened into a vacuum cleaner as still basic metal would be untenable and is about as logical as calling a dividend declared to a shareholder, corporate earnings and not subject to taxation as being a double taxation of earnings, which a dividend is not and to which a stockholder participant does not receive, as a comparison of earning statements and dividend payments, on a per share basis, clearly indicates presently, and over the years.

Besides, the very inequity of Mr. Funston's proposal could develop more inequity between the same corporate shareholders, but holding in different types of stocks, viz., junior and senior calls for dividend payments, as in the case of cumulative preferred and common shareholders.

The preferred holder, in time of stress, could look forward to fiscal dividends or the accumulation of the same, without paying any tax on fiscal or accumulated payment. The common shareholder would continue to receive nothing, as no common dividends were declared, and earnings do not permit a common dividend, or the corporation is withholding dividends to increase corporate cash position.

Following Mr. Funston's theory that corporate earnings and corporate dividends are one, or partly one, of the same earnings of the corporation and hence, taxation of both is double taxation, is indeed, trite, as the senior shareholder getting his dividends is certainly in a bit different position than the common shareholder who gets glossy and optimistic reports as to when the common share dividends will be resumed, usually stated in the corporate fiscal report to shareholders, that "earnings of the Corporation do not justify the payment of dividends at this time."

There is no double taxation of earnings by the taxation of dividends, or "double taxation of dividends" as Mr. Funston, also illogically records, for unlike as to whether the chicken or the egg was first, we know the earnings must be before dividends — and there is nothing "double" about dividends, and earnings do not dictate the dividend for common shareholders, but the directorate does, sometimes to the satisfaction and sometimes to the dissatisfaction of the recipient shareholder.

Thus, the inference that earnings and dividends are one and the same and there is presently "double taxation of earnings" (which may not sound so well in Mr. Funston's public relations approach as opposed to his saying there is "double taxation of dividends" that has a better and more pungent public flavor) may have quite some benefits to corporate managers and I daresay most beneficial to individual shareholders, if we substitute double talk for common sense and sound logic, the latter being the very basis of benefit and responsibility to the free enterprise theory, or we would not be eroding the free enterprise system as sloganizing and illogical statement pretends not to do.

Sincerely yours,

(Signed) RICHARD SPITZ

Fortune's Rocks,
Biddeford, Maine,
July 25, 1953.

With Grimm & Co.

(Special to The Financial Chronicle)

ORLANDO, Fla.—Lee L. Timby is with Grimm & Co., 65 East Robinson Avenue.

Bache Adds to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill. — Mrs. Saralyn B. Marcum has joined the staff of Bache & Co., 135 South La Salle Street. Mrs. Marcum was previously with Bear, Stearns & Co., and Coffin & Burr, Inc.

Joins Taylor Staff

(Special to The Financial Chronicle)

CHICAGO, Ill. — Bernard F. Shea is with Taylor & Co., 105 South La Salle Street.

With Russell Long

(Special to The Financial Chronicle)

LEXINGTON, Ky.—Roger Williams III has joined the staff of Russell, Long & Company, 257 West Short Street, members of the Midwest Stock Exchange.

Investors Consultants Open

Investors Consultants, Inc., has been formed with offices at 52 Broadway, New York City, to engage in a securities business. Lawrence E. Brinn is a principal of the firm.

From Washington Ahead of the News

By CARLISLE BARGERON

Perhaps there is no better insight into the difference, in make-up or character, between the Republicans and the Democrats than their utterances on the Korean armistice. From both sides they are utterances of caution and doubt as might well be because that is pretty much the attitude of the country at large.

Carlisle Bargeron

But you can bet your boots that had this armistice come under a Democratic President the Democrats would have gotten some glorification of their President out of it. The country's attitude being what it is they would undoubtedly have been moved by the same caution and doubt but they would nevertheless have coupled this with expressions of great admiration for their President for at least having accomplished this much, for at least having sincerely tried to bring the war to an end, and for, if nothing else, having accomplished at least a temporary stop to the bloodshed.

This having been accomplished by a Republican President, however, you hear no praises of him from Republican Senators or members of the House. Instead they join in the general chant that it probably doesn't mean much and they have added the hue and cry that the armistice must by no means be turned into a deal to let Red China into the United Nations.

I am not criticizing them for viewing the situation realistically. I am simply pointing out that they are sadly lacking in the propaganda ability of the Democrats; not only that, but they seem not to have any feeling of party unity or of team spirit. To my mind, it is not any small accomplishment at all that Mr. Eisenhower has made in Korea. And it took considerable patience and determination to do it. Regardless of what may happen in the future, the fact is that an armistice has been achieved, and full credit for this belongs to the President and to the Republicans.

Every Republican member of the House and several Republican Senators have got to run next year on the Eisenhower record. There is no escaping it. The betting in Washington today is 3 to 1 that if the elections were held next week the Republicans would lose the House and under the circumstances I don't see how the result could be otherwise. They have a majority of only 10 with eight vacancies and, of this majority, four members come from Virginia and North Carolina districts which are not likely to return Republican members next year. Personally, I think it would be a terrible thing to have the House swing back to the Democrats. But that is what it seems destined to do unless the Republicans make out a better case than they have been making. They should be making all sorts of capital out of Korea and they could do it without being offensive or treading upon the doubts of the people as a whole.

For one, I am of the conviction that while there may be some backsliding and flare-ups in the months to come, the armistice will stick. I am of that conviction because there is a determination on Mr. Eisenhower's part to make it stick. He is not a boisterous man or a man given to shooting off his mouth. He is a quietly determined man when he puts his mind to something. He has put his mind to cutting out the nonsense in our global affairs. The fact that he has put his mind to this and that the Russians know him, know the kind of man he is, will, in itself, go a long way toward taking this nonsense out.

The situation in which we find ourselves in world affairs, is to no small extent froth composed of one part bombast and one part demagoguery. If this froth is removed it would be amazing how much clearer and less insoluble the problems are. The President went after the Korean problem in this light and he has to my mind come up with something that we would have never had had under Truman or the Democrats. Very likely his ignorance of politics was a help to him and it will be a help to him in his dealings with the Russians in the future. In short, I believe that our great global spree based upon a synthetic or manufactured fear of the military might of Russia is nearing an end. Eisenhower has never entertained such fears. As a matter of fact, neither does the high brass of the military but, because fear of Russia was the politics of the day and because it served the purpose of the high brass, they have gone along in the expressions of fear. They would have been foolish not to have done so.

One of the strongest reasons for thinking the Korean armistice will last, although there may be some rough going at times, is the information from those who know Eisenhower's thinking best, that he does not intend to stand for any foolishness, that if the shooting breaks out again there will be plenty of it and it will be effective. The Russians and Chinese undoubtedly know this—and as for Syngman Rhee, it has been made plain that no nonsense is to be tolerated from him.

Can We Get America to Live One-Third Better?

By HON. W. WALTER WILLIAMS*
Under Secretary of Commerce

Asserting "this Administration faces up to the challenge that our ever increasing prosperity need not be based on war or even defense production programs," or on "paternalistic government spending," Commerce Department executive points out objective can be attained by increase in both output and consumption with less human effort. Cites recent improvement in character and efficiency of production equipment and lists as three-pronged challenge that must be met: (1) acceleration in rate of private capital formation; (2) production and sale of goods and services to optimum point, and (3) provision of private incomes which permit investment, production and distribution at a profit. Holds every effort should be made to develop investment consciousness of masses.

President Eisenhower, in his recent speech, has charted a vision of the prospects for both the American economy and a world economy free from the fears of war. And, as Secretary Humphrey has shown, we have nothing to fear from peace. On the contrary, we can and should expect that American business, agriculture, and labor, will advance the long-run goals of the American people provided they are free to pursue the paths of peace without paternalistic government direction and mounting government debt.

W. Walter Williams

Our greatest resource and most valuable capital asset is the people themselves, free to spend or not to spend, to invest, and to work as they choose. The growth in population, the increase in productivity, and the associated increase in the production of goods and services, offer great opportunities to raise the standards of living for all our people. The future offers a new challenge to the ingenuity of American business to provide an increased volume of output and an increased velocity of transactions to serve the needs of the American people and to make the luxuries of today the necessities of tomorrow.

The past 60 years have been years of great economic growth and an accompanying growth in economic power. Throughout — despite slumps—continued prosperity has been manifested in the people's capacity to buy more and more goods and services, through their capacity to earn more and more real income. On two occasions, periods of great economic growth were triggered by world conflict. During part of this time, too, the government put many billions of dollars of public funds into the economic system. But this prosperity, based on conflict and government spending, was achieved by saddling ourselves with a very heavy debt burden. This Administration faces up to the challenge that our ever increasing prosperity need not be based on war or even defense production programs. We face up to the further challenge that prosperity does not depend upon paternalistic government spending, and that, given the opportunity, and the climate, the business community and millions of enterprisers can do this job better than the government can.

*An address by Secretary Williams before the Association of Advertising Agencies, White Sulphur Springs, W. Va.

How Can It Be Done?

Now, how can the American people over the next decade increase by one-third their standards of living? It is obvious that this can be done only by a great increase in our output and consumption. In the long run, more goods can be consumed only if more goods can be produced with less human effort. A one-third increase in American production would undoubtedly be accompanied by increase in shorter work hours, in longer time spent in education, and in leisure to enjoy the goods and services that we can effectively demand. Moreover, historical trends show that an increase in standards of living is invariably accompanied by an increase in the portion of our total income which is used for services, such as education and recreation. If all these elements are put together, we find that an increase of one-third in the total per capita consumption of goods and services for the American people would require an increase of somewhere in the neighborhood of 50% in our output.

In the whole history outside of the past century or two, an increase of this magnitude over the next decade would have been beyond imagination and beyond credibility. But the recent history of the American economy has shown that increases of this order of magnitude are not at all incredible. The average increase in productivity over the last few decades has been between 2½ and 3% per year.

Furthermore, we have seen an improvement and enlargement in the scale and diversity of plant and equipment since the last war and most intensively since Korea. We have seen an enormous and healthy expansion of the machine tool industry with continual innovation in the character and efficiency of our productive equipment. We have seen a tremendous acceleration in the output and quality of our most basic materials, such as copper, steel, and aluminum. And we have witnessed an enormous growth in the development of new metals and chemicals which enter the vast stream of goods and services. All of this has necessarily been accompanied by proportionate increases in available energy sources: electric power, petroleum, natural gas and coal.

We need only ask whether our present higher productivity rate can continue. Anyone who is familiar with the vital process of inventive ingenuity and business enterprise in this country has no doubt as to the answer. Right now, today, many of the changes in our production methods which will accomplish this increase are on the drafting boards, or are in the minds of our scientists, or are being translated into the machines and factories which will turn out the product. It is not easy to put your finger on the exact spots where these changes will occur, and the reason for this difficulty is that they will occur on a wide front affecting tens of thousands of producing enterprises and thousands of products.

Here, in sum, is the three-pronged challenge that must be met:

(1) We must slightly accelerate the present rate of private capital formation.

(2) We must make and we must sell the goods and services which represent our optimum production and distribution potential of our growing system of plant and people.

(3) We must provide private incomes, both corporate and personal, which permit investment, production and distribution at a profit.

Must Develop Widespread Investment Consciousness

The first of these three prongs of challenge relates to the important factor of capital formation. Here seem to me to be some of the ways in which the business community must meet and solve these problems of developing capital formation:

(1) Every effort must be made to develop an investment consciousness for the great mass of the people. Here a growing good job is being done by advertising. This is often educational advertising at its best. It must be continued until virtually all the people with savings get the habit of being a capitalist.

(2) There must be incentives to corporations to induce disposal of old plant and investment in new plant equipment, processes, ideas, concepts, and economic responsibilities. The Treasury officials of this Administration are developing fiscal policies, including a rational tax program, which will permit America to continue to grow and reach higher standards of living without the support of deficit spending.

(3) The vast increases in energy from electricity, coal, oil, and gas must continue to be applied to the economic system of production and distribution. This process of continued application of power is proceeding every year, and every increase in the number of horsepower applied with each man-hour of work brings an increase in the productivity of the man-hour. Some day, and we do not know when, but I am sure that it will occur, we will have a revolution in the source of this power itself. We will find ways to derive from the energy of the atom a power of sufficient efficiency that millions of the man-hours now being used in the mining of coal, the drilling for oil, and the construction of hydro-electric dams would be greatly diminished.

(4) There must be the continued growth of automaticity to production itself. We have learned to make machines to replace the motions of human hands and our ability and efficiency in these developments are far from exhausted. We have found ways to run huge chemical petroleum facilities with only a relative handful of people. We have invented giant presses which stamp out parts that would require a fantastically greater number of man-hours to produce by any other means. Every time that we are able to do this, every time that we can find a machine that can be made with considerably less man-hours of work than the work which it replaces, we have increased the output per man-hour of the economy.

(5) There must be continued development of new and more durable materials which either cost less to produce than the materials they replace, or increase efficiency by avoiding unnecessary waste. The great improvement in rubber tires for automobiles is well known. The development of nylon can be seen as a way to produce chemically a material that required far less man-hours to produce than its natural competitor, silk.

Putting Production and Distribution on Optimum

The second prong of this three-pronged challenge reminds us of the big job we have to do in the making and distribution of goods and services on the most optimum basis possible.

Now let us consider the problem of making new goods, for we must change what we make in addition to changing how we make. You all know that we would find the daily course of living two centuries ago barely recognizable to the modern American with his familiarity and dependence on his automobile, television set, bathtub, and a host of labor-saving appliances. A vitally essential part of the economic system has been this element: that as productivity increases, we do not merely use more of the old products, we invent new ones.

To see what lies ahead in the development of new products is difficult. It would have been precarious to predict with certainty in 1933 that television would have been a great and growing industry from 1946 to 1953. It would have been hard to grasp in 1910 the eventual role of the automobile and the motor truck in the American system of life. We can point now to certain consumer end products which will surely represent strong-growth industries:

(1) We may expect to find continued expansion in the area of television. At the moment, about one-half of the nation has access to television stations. Construction of new television stations, eventual introduction of color television on a broad scale, will provide a continuous and growing market for this product.

(2) There is room for considerable expansion in the area of electric appliances. The market for such appliances as the kitchen dishwasher has scarcely been touched. The automatic washing machine is replacing the non-automatic type, and there is room here also for an expansion in market demand. The food-waste disposer, a kitchen item, has great potentiality. Several communities have eliminated garbage disposal service, and every home in these communities is equipped with food-waste disposer units. The potentiality of this industry is tremendous.

(3) Continued improvement in refrigerators, both as to size, performance, and utility provides an opportunity for a considerable short-term expansion in this industry. The freezer has a potential for expansion as well.

(4) We may expect a considerable play in the next few years on home air conditioners. The market for this product has scarcely been tapped, both the window type and the system type which is made a part of the furnace, circulating cold air throughout the home. The cost, can probably be reduced as demand increases, and improvements in design take place. The market for this item is scarcely touched.

(5) Aluminum as a substitute for wood in furniture, in baby carriages, etc., is in its infancy and will probably increase in use over the next few years. Aluminum in such items as storm windows, gutters and downspouts, etc., is on the upturn and should increase considerably over the short-term. The non-corrosive qualities of aluminum plus its lightness, make it appealing to the consumer in many areas.

Continued technological development work increase pay-off, in value added to our national security and to our expanding industrial plant. In the field of metals alone, this is demonstrated to some extent by a Glossary of Metals published by "Fortune" magazine in January 1953. Prior to 1900, some 16 basic metals were in active use. Between 1900 and 1953, 30 additional metals were brought into regular use. The outlook for 1953 and beyond, indicates potentialities for many new metals and/or minerals. Here are but two examples:

(1) Germanium is a good example of private initiative at work to simplify and lower costs of modern electronics devices. This grayish semi-conductor metal, reminiscent of the old crystal set, is replacing vacuum tubes in many electronics devices. Its proven value is such that there has been organized a vast search plan for sources of this material.

(2) Kyanite, an imported material, has been used for fire brick and refractory linings of non-ferrous metals, glass, and steel furnace groups for many years. Research and experiment have proven that a synthetic material called mullite, produced from domestic materials, is superior to kyanite, in most applications, and can be produced at lower cost.

United States technological initiative is licking the shortage of diamond bort. Hard metal precision parts ground to fine thicknesses of thousandths of an inch are normally ground with grinding wheels impregnated with diamond dust particles. United States industrial ingenuity has already begun to meet the challenge of inadequate diamond supply. A small business in Chicago has developed a new type wheel that uses 80% fewer diamonds and with only slight changes in existing machines makes this improved wheel last even longer by using an electrolytic method that cuts costs and saves diamonds as well. Several processes using no diamonds at all have been introduced for grinding hard metals. This, and other processes which have recently been developed serve to contribute to national security and reduce dependence on foreign diamonds and, in the process, have created a whole new area of market demand.

In the next decade, we can expect continuing additions to the fund of products available to the consumer and the manufacturer. Research is at a high level to make this possible. Rising productivity and lowered costs of production should encourage the consumer and manufacturer to increase expenditures in many areas. This all demonstrates the snowballing nature of technological developments.

Finally, it is in connection with these new products that your own profession has a most important role. I have heard stories of men standing on the street corners passing out $20 bills and having no takers because the public believed that some trick was involved. The same thing is true of new products. The American people want these new things but they also want to be shown. The invention of television would have little meaning to our industrial economy if a perfect set remained in the inventor's workshop or if the completed sets remained packaged in the manufacturer's plant. It is vital to the process that the advertising profession serve in the function of educator so that all the new things which lie ahead of us can be uncovered to those who will want them. Aggressive advertising and selling campaigns will contribute both to increasing consumer and business expenditures for new products and for maintaining well established industries at high levels.

The important contribution to be made by distribution to our growing economy, of course, extends beyond the field of new products. We must overhaul our

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Mutual Funds—America's Fastest Growing Business

By W. GEORGE POTTS*
Co-Manager, Richard J. Buck & Co., Caracas, Venezuela

Mr. Potts, in pointing out the rapidly expanding operations of mutual funds is creating thousands of new investors each year, describes origin and development along with the functions of these investment institutions. Describes regulation of mutual investment funds imposed by SEC and explains various types of funds. Gives reasons for recent rapid growth of mutual investment funds and calls their future prospects bright.

Out of the cauldron of social and economic upheaval encompassing the roaring '20's and the more quiescent '30's has emerged a vital and dynamic new financial institution—the Open-end mutual investment fund.

W. George Potts

Quitely and without furor, this new business has gained momentum at a tremendous pace and today ranks as one of the fastest growing industries in America. In 1940, open-end mutual funds were virtually unknown. Today, this industry has net assets of over $4 billion—and in 1952 the more than one million mutual fund shareholders collected more than $200 million in dividends.

This rapidly expanding investment institution is creating thousands of new investors each year—investors in American industry and business. This industry already is an important influence on the stock market. The same superlatives used by Hollywood press agents — "stupendous and colossal" are being used, and with good cause, by reporters of the progress of this new financial colossus.

Today there are over 100 open-end mutual investment funds in this country. Their combined net assets at the 1952 year-end reached the $4,000,000,000 level—an increase of $870 million from the year earlier figure and a growth of over 790% from the $447 million at the 1940 year-end. The estimated number of shareholders of open-end mutual funds at the 1952 year-end was 1,500,000 although these figures include considerable duplication. This growth has been vigorous and consistent over the past 12 years, as shown by the following tabulation, based on a report of the National Association of Investment Companies on 103 leading open-end funds:

Growth of Open-end Mutual Funds

Year-End	Total Net Assets (Thousands)	Number of Shareholders
1940	$447,959	296,056
1941	401,611	293,251
1942	486,850	312,609
1943	653,653	341,435
1944	882,191	421,675
1945	1,284,185	497,875
1946	1,311,108	580,221
1947	1,409,165	672,543
1948	1,505,762	722,118
1949	1,973,547	842,198
1950	2,530,563	938,651
1951	3,129,629	1,110,432
1952	*4,000,000	*1,500,000

*Estimated.

It is particularly significant that open-end mutual fund assets have shown a steady growth over this period in view of the fact that certain of these years were marked by declining volume of securities business and by uncertain market trends. For example, in 1947, the total volume of transactions on the New York Stock Exchanged declined almost one-third from 1946. Yet in the same year the assets of mutual funds increased almost $100 million, while the number of shareholders increased by about 100,000.

It is well, therefore, to consider what is behind this significant financial development. What features do mutual funds offer that other investment media do not possess? What does the future hold for mutual funds?

What Is a Mutual Fund?

Expressed in simplest terms, mutual funds are a pool into which thousands of investors have brought together their surplus cash in order to gain investment advantages that are available only to possessors of large sums of money.

By pooling their dollars, large and small investors alike have the benefit of professional investment management and continuous supervision at a proportionately small charge. For example, the average annual charge for investment management is about one-half of one percent. Thus, the management fee for one year on $2,000 of net assets would be $10—less than a year's subscription to almost any newspaper.

*Reprinted with permission from the "Deltasig" of Delta Sigma Pi, Mar., 1953.

The combined funds of the shareholders of a mutual investment fund are spread over many securities and many industries in much the same fashion as the investments of the very wealthy or of large institutions such as banks or insurance companies. Thus, in one certificate of mutual investment fund shares, an investor has a proportionate interest in the many securities which are owned by the fund.

The sole business of an open-end mutual investment fund (or investment company) is to invest the funds of its shareholders in the securities of American corporations. To justify its existence, a mutual investment fund must do a better job of managing securities than the investors can do for themselves.

Unique Redemption Feature

Mutual investment fund shares provide a redemption feature which is unique in the field of stock investing. A shareholder may withdraw at any time from a mutual fund by simply presenting his shares to the fund or custodian of the fund for redemption. The shareholder then receives the prevailing liquidating value, which may show a tidy profit or a loss on the investment, depending on the market value of the underlying securities held by the fund on the day of liquidation. Usually there is no commission or fee charged for the privilege of liquidation.

The liquidating value is usually determined by taking the total market value of the fund's net assets and dividing it by the number of fund shares outstanding.

This is an important advantage of mutual fund shares since it means there is no lack of market such as might prevail if one had a large block of an individual stock issue.

Investment Income

Income comes into a mutual fund through dividends or interest payments on the securities held by the fund. This income, after deduction of the management fee and operating expenses (usually about three-quarters of one per cent per annum) is distributed pro rata to shareholders in the fund.

The fund may receive hundreds of separate items of income from its many securities. However, distributions to shareholders are usually made by the fund quarterly — four times a year — thus saving the shareholders considerable burdensome bookkeeping and tax accounting. And the income may be expected to be regular, although varying in amount with the income received by the fund from its security portfolio. No open-end mutual investment fund has ever missed making a regular distribution of investment income.

Security Profits

In periods of generally rising security prices, mutual funds may be able to realize profits from the sale of securities and such profits are distributed to shareholders usually once a year, near the fiscal year-end of the particular fund.

The majority of mutual funds would probably not pay capital gains dividends since the retention of security profits makes a good backlog and acts as a cushion for share prices in declining markets. However, the Federal Income Tax Law is such that a fund must pay out capital gains in order to avoid payment of income taxes.

Tax Status

The Federal Internal Revenue Code specifically provides for special tax treatment of open-end mutual investment funds which permits such funds to be relieved of all, or substantially all, Federal income taxes. In order to realize this tax exemption, a fund must pay out a minimum of 90% of its net investment income to shareholders. If any portion of the income is retained by the fund, it is subject to tax, and accordingly, most funds pay out all of their net income to shareholders. Likewise if capital gains are not paid out to shareholders, these would be subject to a maximum 25% capital gains tax. Accordingly, the managements of most funds conduct their businesses so as to divest themselves of all investment income and capital gains in order to avoid the payment of Federal income taxes.

Custodianship

Mutual funds usually maintain a bank or trust company to act as a custodian of the cash and securities of the fund. These custodians often register shares, make disbursements of dividends to shareholders and perform other similar duties. However, these custodians have no responsibility for the investment management of the fund.

Unlimited Supply

The price at which shares of mutual investment funds can be purchased is known as the public offering price which is generally determined once or twice daily. The offering price is always in direct relation to the value of the net assets of the fund and the number of shares outstanding. There is practically no limit to the number of mutual fund shares which may be purchased at this public offering—a sharp contrast to the purchase of a large block of an individual issue on one of the national exchanges or on the "over-the-counter" market, where the price is directly affected by supply, demand and other market factors.

In an open-end mutual investment fund, therefore, the number of oustanding shares is constantly changing as new money comes in and as shares are redeemed or liquidated. This is the chief point of difference with the closed-end investment company whose functions and business are very similar but whose outstanding securities available for purchase by investors are fixed at a certain number of shares—like in any industrial or business corporation. Thus, purchases or sales of closed-end investment company shares are made between buyers and sellers without affecting the corporation or the number of shares outstanding — at a price determined by supply and demand, with the net asset value per share of only secondary importance.

Origin and Development

The basic idea of pooling money in order to secure the advantages of spreading the risk over many securities is not new. The first investment company may be traced to Belgium in 1822 where King William I organized the Societe Generale de Belgique. The idea did not gain wide acceptance until 1880 to 1890, when several important Scottish companies were formed.

The canny Scots readily saw the advantages of pooling their savings to total a sufficiently large amount so that experienced money managers could be obtained at a relatively low proportionate cost to each shareholder. Through this medium, Scottish and later British investment companies were able to accumulate hnudreds of millions of pounds which were invested throughout the world. Much of this British and Scottish capital was invested in farm mortgages in the United States, and there are companies in existence today whose names give evidence of this, such as the Scottish Investors Mortgage Company, and Scottish-American Mortgage Company.

Early American Pattern

Due to a scarcity of enterprise capital in the United States until the beginning of the 20th Century, the investment company idea started slowly here. In the period of 1890-1920 only a few American investment companies made their appearance. These early examples of the modern American investment company followed the example of the British predecessors and placed primary emphasis on income and safety.

In the roaring '20's, particularly after 1926, a flood of investment companies appeared on the American scene. Some of these companies were the "fixed trust" type, wherein the investment management selected a portfolio which could not be changed for the duration of the trust. Other trusts were formed primarily as a medium of speculation. Many banking firms formed trusts which

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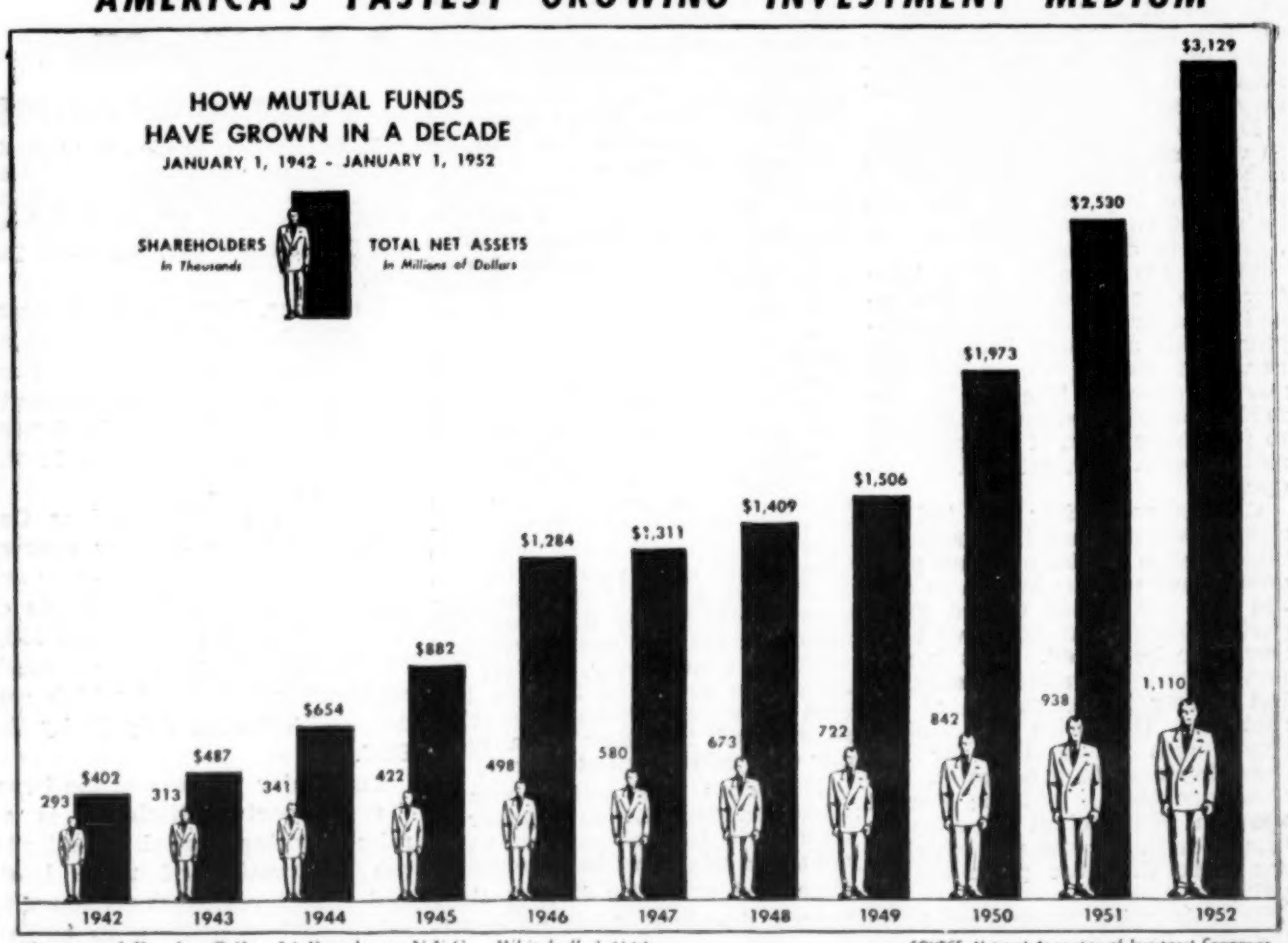
AMERICA'S FASTEST GROWING INVESTMENT MEDIUM



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SOURCE National Association of Investment Companies

LETTER TO THE EDITOR:

Takes Issue With Mr. Shull On the Price of Gold

Carroll Dunscombe, of Stuart, Fla., says arguments for no change in gold price appear to be based on generalities. Denies an increase in gold price will benefit only gold producers, and contends it is the flow of new wealth from mines, farm and forest into the economic bloodstream that is the leaven that raises our national income.

Editor, "Commercial and Financial Chronicle":

As there appears so little authority to support Frederick G. Shull's attack on the "Price of Gold" (by Philip Cortney, "Chronicle" of June 11) that appeared in the June 25 issue of the "Chronicle" in his capacity as Chairman of the self-appointed Gold Standard League, it might be well to point out the weakness of their position, and we can also discount the reports and theories of corporations that own and operate mines in other countries or banks that have international commitments as they are unable to take a position as to what is in the best interest of the United States.

Those who desired the added power to be obtained if the country assumed the position that it had to protect and support the world, and have the taxpayers of this country assume the load such activity results in, regardless of our ability to furnish the manpower or the money to sustain any such position, subsequently discovered we were unable to meet these burdens from the levy of excessive taxes and had to borrow and so depreciate our money 50%. In order to avoid crushing the taxpayer or the goose that was laying the golden eggs, inflation was necessary and prices doubled and tripled. But if our gold reserve is in any way supposed to represent the value of our paper dollar then if the dollar is only worth 50c why would not this gold reserve be doubled in value and keep the proportion the same?

Mr. Shull's statement, this is only an idea or plan of those who own gold mines to benefit themselves, only goes to show his want of knowledge.

Our Constitution forbids taking private property for public use without paying just compensation, but when the government fixes the price of private property and requires him to sell to the government at that price, which is far less than the cost of producing it, the Constitution is violated, regardless of whether the property is gold or anything else.

Due to the tremendous increase in costs since the price was fixed at $35 per ounce for gold, only a mine that has rich ore that can be mined with little expense can attempt to operate.

The great majority have been forced to close and those who remain in operation do so on a marginal basis and only because the result of closing would be still more expensive. The old Eureka in Nevada will cost over $5,000,000 to just dewater it, if the price of metal justifies an attempt to reopen it.

Canada recognizes the bullion such mines produce is unlawfully taken but in partial payment pays gold mines what is known as cost aid but even with that a great part of her gold mines have been forced to be closed. This is not, and cannot be called a subsidy, but simply is recognition of the fact that the price the United States sets for gold is far less than the cost to produce it, and therefore this is only in partial payment of its actual value that is taken for public use and which is far more than the price that is paid.

Is this wise management by Canada? By such means she keeps open the gold mines that are able to operate with cost aid, she gets the flow of new wealth that those mines produce and she maintains the market for the supplies such mines purchase and the market the payrolls of those who are so employed produce.

Mr. Shull should also remember that it is the flow of new wealth into the economic blood stream that is the leaven that raises our national income and it makes no difference whether that new wealth comes from the mines, farm, forest or oilwell; it must be maintained and expanded. He should also remember or satisfy himself that everytime there has been a discovery of any large amount of gold it has resulted in a boost to the entire business world. He can see what happened when Spain brought over a lot of gold to Europe from the New World, or what the result was when large quantities of gold were produced in California. Yet our present method of payment makes it impossible to mine gold, and ore that was once considered of commercial value now has to be written off because the cost to mine it at these prices is more than can be obtained. By this plan we deprive ourselves of the new wealth that could be obtained from that source, the market for the supplies such mines would purchase, and the market that would be created by those employed in such industry.

Let's see how foolish we can get. Under the Churchill plan, which had to be renamed the Marshall plan in order to get it over, the taxpayers became restless as it appeared it had not done what was promised as the majority of those countries were no nearer getting on their feet than they were when it started. So the cards had to be shuffled again and a similar plan brought out under a different name, so "Trade, not Aid" was the answer. What this plan intends is that low cost labor countries shall have the right to sell their products in this country without any duty and we in effect guarantee a market for all they can produce. When this was not well received the threat then was, if you don't gobble this bait off the hook, we will show you. Fortunately for the American taxpayer he was shown. It appears England had stockpiled a lot of lead and zinc that was purchased from mines that paid low wages and purchased with money we gave her. The zinc was dumped on the market at one time, and the result was that the market broke, many of our mines had to close and others were made marginal producers and we lost all the new wealth those mines would have produced; the markets for the supplies they would have purchased, and the market that such labor provided was destroyed. Furthermore, the American taxpayer again had to buy back the same zinc that had been purchased with his own money, so that the ones who produced it with low cost labor would have the market maintained for them at a price our own mines cannot operate on.

Nor does this self appointed Gold Standard League appear to appreciate that citizens of those countries who have been swindled time and again by having their money devalued, have no confidence in that money and the only thing they can rely upon is gold and so, in violation of the law, it is purchased and hoarded. The annual disappearance of gold for such purpose is in considerable amount. If for instance the price of gold was increased to say $70 per ounce and there was some assurance that the price would stay there as long as present prices continued to exist for everything else, the effect would be to bring a large part of this hidden reserve back into circulation and the result would be much the same as if it were newly mined, and all those countries would receive the stimulus that it would produce, without costing the taxpayers of this country a dime.

The results tell the picture and the amount of gold mined constantly continues to diminish and possibly the Gold Standard League can explain why, or why we should by such means force ourselves into a world wide depression. What sanctity is there about the price that was set on gold 25 years ago when the cost to produce it was nominal compared with what it is today. Even then it was probably way too low in comparison with the price set in 1800. Canada balances her budget, is able to reduce taxes and discharge her debt although the per capita was far larger than ours, by the sale of the products of her mines, and it would seem this country could do far better by following her example than following the plan of a country that has no raw products and can only exist by exploiting low cost labor. Such people have no purchasing power, there is no reciprocity involved but only a one-way street to destroy our own economy.

Let the Gold Standard League and those who they claim support their claims point out how we can be injured—the harm has already been suffered—by raising the price of gold to correspond with the loss in value our dollar has already suffered. Would they prefer the money be called in and devalued 50% so they get a nice new paper dollar for each two they have now? Seven countries over the world pulled that in the past year; some got as much as one dollar for every hundred they had before and some got more but they all took a licking.

(Signed)

CARROLL DUNSCOMBE

Stuart, Florida,
June 29, 1953

B. G. Phillips Offers Peruvian Oil Shares

B. G. Phillips & Co., New York, are offering "as a speculation" an issue of 1,000,000 shares of common stock (par $1) of Peruvian Oil Concessions Co., Inc. at $2 per share.

Last year, Peruvian Oil Concessions Co., Inc., a Delaware corporation, maintaining an office in New York City, received concessions to oil and gas exploration land near the Pacific coast of Peru in the Sechura district.

Peruvian Oil Concessions Co., Inc., now holds 40-year concessions with options for 20-year extensions on three large tracts of land with a total acreage of 120,846.16, according to the issuer's registration statement which was declared effective July 23 by the SEC.

The major purpose of the issue, the prospectus discloses, is to raise working capital for oil and gas exploration of these lands and, if such resources are found in substantial quantities, to exploit and develop them.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Despite the vacation season, and the rise which has taken place in prices of government obligations, there continues to be a fairly active market in these securities. A generally constructive attitude is being maintained toward the whole list, although there has been some profit taking. To be sure, the short-term securities are still the fairhaired ones and there are no indications yet that any of the other issues are going to crowd them out of the limelight. Nonetheless, there is tangible evidence of the better feeling which has been in the market in the form of maturity extensions which, up to now, has been most expressive in the intermediate term obligations. There has been also a noticeable amount of buying in the longer term obligations, although there is some question now as to whether or not these securities have reached levels where a certain amount of consolidation in the form of backing and filling should be expected.

According to reports, there have been some very important trades consummated through the medium of tax switches which continue to be a favorable factor from the volume angle.

Long Bonds in Demand

Institutional operators in the money markets continue to make commitments in the longest Treasury obligations, with a somewhat enlarged interest now being in evidence in the 2½% obligations even though the 3¼% issue seems to have the best following as it had in the immediate past. According to reports, the 2½s due June and December 1967/72 have been going into strong hands in fairly sizable amounts and it is indicated that a good part of these purchases are new money commitments. There is likewise a reportedly important interest in the market for the other 2½% non-eligibles, with such issues as the 1964/69s being among the favored ones at this time. Buying has been mainly of the scattered variety despite the fact that there have been some good sized orders in the market for the 2½% bonds. The principal buyers have been the private pension funds, private trust accounts and state funds.

The state funds, it is reported, have been doing their buying of the 2½% issues with the purpose in mind of averaging prices. It is indicated that issues of the 2½s which were purchased at higher prices have been the ones in which certain state funds have been making their largest commitments recently. Individuals have also been buyers of the 2½s and it is believed that these purchases have been rather substantial because of advantages that could be obtained from the estate tax angle.

The 3¼s in Forefront

The 3¼% due 6/15/78-83 continues to be the leading issue as far as the longer term bonds are concerned because there are a great many buyers that want the 3¼% coupon and the yield to maturity is still attractive to them. As a result, the longest bond continues to be taken in good volume even though it does involve paying a slight premium above 100. On the other hand, the yield after taxes on the 3¼% obligation does not make it as attractive to certain buyers of Treasury obligations as some of the intermediate term maturities.

Big Banks Buying Intermediates

The middle maturities are being bought mainly by the commercial banks and this seems to indicate some lessening of the very cautious attitude which has been in the money markets for some time now. There has been, according to advices, a broadening of the interest in these issues with the smaller out of town institutions now putting larger amounts into the intermediate term obligations. The big money center banks, however, continue to be the leading buyers of these securities. The principal reasons given for the purchases of the in between maturities is the attractive yield after taxes, along with the prospects of eventual price appreciation. Some of the commitments in the intermediate term governments have come about through switches, with tax losses being taken in the longer term higher coupon issues and the proceeds going into the less distant ones with a comparatively favorable after tax yield still being maintained.

There seems to be the same interest around as far as the partially exempts are concerned but, according to advices, there are not as many of these bonds coming into the market as was the case a short time ago. It is reported, however, that a good size amount of the 2¾s due 1958/63 were recently made available through a switch operation.

Tax swaps continue to furnish volume and activity to the market with the commercial and savings banks according to reports the most active ones in this field now.

Short-Terms Seen for August Financing

The Aug. 15 maturity financing is getting more attention and an announcement is expected very soon. The consensus of opinion is that there will be another short-term issue offered in exchange for the maturing certificates. It is believed that the yield will be attractive to short-term buyers, the principal holders of the August 2s, because it is indicated the Treasury does not want to have anything sizable as far as attrition is concerned.

Mullaney, Ostrander Govs. of I.B.A.

Paul L. Mullaney Lee H. Ostrander

CHICAGO, Ill. — Paul L. Mullaney of Mullaney, Wells & Company, and Lee H. Ostrander of William Blair & Company, both of Chicago, have been elected Governors of the Investment Bankers Association of America by the Central States Group of the Association. They will take office at the close of the Association's 1953 annual convention, which will be held Nov. 29 to Dec. 4 in Hollywood, Fla.

Mr. Mullaney is Chairman of the State Legislation Committee of the Association, and President of The Bond Club of Chicago. Mr. Ostrander is Chairman of the Central States Group.

Cook, Rennemo With Archincloss, Parker

PHILADELPHIA, Pa.—Auchincloss, Parker & Redpath, members of principal stock and commodity exchanges, announce that Francis A. Cook and Thomas J. Rennemo are now associated with them as registered representatives in their Philadelphia office, 1421 Chestnut Street. Mr. Rennemo will be in charge of the firm's municipal and corporate bond departments.

Mr. Cook entered the investment securities business in 1936 following graduation from the Wharton School of Finance, University of Pennsylvania.

Mr. Rennemo, previously associated with Harris, Hall & Co., entered the investment securities business in 1945. He is a graduate of Wisconsin State University.

Willis Martin With Alm, Kane & Rogers

CHICAGO, Ill. — Alm, Kane, Rogers & Co., 39 South La Salle Street, announced that Willis Martin has joined the investment securities firm as Vice-President and Sales Manager. Before joining Alm, Kane, Rogers & Co., Martin was Manager of the Mutual Funds Department with Kidder, Peabody & Co., and prior to that he was associated with the First National Bank and Trust Company of Evanston, Ill.

Public Utility Securities

By OWEN ELY

Trend of Rate of Return

Arthur Andersen & Co., New York City, the well-known Certified Public Accountants, have recently issued a study summarizing 903 utility rate decisions handed down by courts or commissions over the years 1915-1952, in which the rate of return on the rate base was involved. The source of the information was "Public Utility Reports," which are regularly published in Washington, D. C.

Individual cases were reviewed for rate base, return allowed, and allowing language. All cases were summarized by the court or commission having jurisdiction and by the class of utility. The summary shows the number of cases reported, the highest, lowest, and average return allowed for each year by each court or commission. The book includes graphs which show the trend of the returns allowed during the period under review.

The statistical tables present the data described above for different groups of utilities—electric, gas, transportation, telephone, water and total. The data are tabulated first for all courts and commissions, then for U. S. District Courts, U. S. Circuit Courts, U. S. Supreme Court, State Courts of Appeal and State Supreme Courts; also for all state commissions and the Federal Power Commission. It is unfortunate that the data could not be tabulated for each of the 40-odd states in which there are state regulatory commissions, since such data would be valuable for reference purposes in appraising the relative degree of "toughness" of regulatoin in different states, in connection with the analysis of the potential earning power of different utility companies. However, the careful student can compile such data if he wishes to by exploring the brief excerpts ("allowing language and remarks") contained in pages 15-97 of the book, where the cases are arranged by years with the state commissions indicated on the margin.

The book contains five charts showing the high return, average return and low return for each year of the period 1915-52, together with the number of decisions in each category. Thus, in 1952 there were a record number of decisions totalling 76 (as compared with 50 in the previous year) as follows: 64 state commission decisions, five Federal Power Commission, five State Supreme Court, one State Court of Appeals, and one U. S. Circuit Court.

The accompanying table shows the data for all utility companies for the entire period. It is interesting to note that the high percentage return in the period 1915-1930 ranged between 8.00% and 10.90%, while the average return was between 6.2 and 7.7% (with the average around 7%). Beginning in 1930 there was a downward trend corresponding to (1) the depression, which was not conducive to high earnings; (2) the anti-utility attitude of the New Deal Administration, which seems reflected in the sharp drop of 1933-34; and (3) the abnormally low interest rates of the 1930s and 1940s.

Beginning in 1946 and continuing to 1952, there was a sharp upturn in the high rates of return allowed from 6.50% to 10.00%. On the other hand, the low rates continue to move downward, dropping to 2.00% in one 1950 case. The average return reached its low in 1947 at 5.36%, and recovered to 6.16% in 1951 and 5.95% in 1952.

With interest rates rising sharply in the past 12 months, and with the more liberal attitude of the new Washington Administration perhaps having some effect on the State Commissions, it appears likely that there will be a gradual rise in the allowable return. This is also being urged as a belated recognition of the inflationary factor in the rate base, since some old utility plants could not be reproduced for less than two or three times the original cost. As an example of more liberal rate of return in the current news, Florida Power Corporation has just been allowed a rate increase which permits a return of 6.45%.

Summary of Court and Commission Cases on Rate of Return

Year	Average %	High %	Low %	Year	Average %	High %	Low %
1915	6.20	9.00	4.00	1934	6.07	6.90	4.00
1916	7.32	10.46	5.70	1935	6.24	7.00	4.53
1917	6.97	8.00	6.00	1936	6.39	8.00	5.50
1918	6.59	8.00	5.60	1937	6.06	6.50	5.50
1919	6.58	8.00	4.40	1938	5.89	7.00	4.15
1920	6.95	9.00	2.40	1939	5.86	6.67	3.10
1921	7.58	10.00	5.00	1940	6.08	7.00	5.28
1922	7.26	8.00	5.00	1941	5.86	6.50	5.00
1923	7.69	8.50	5.00	1942	6.33	6.60	5.75
1924	7.44	8.00	4.96	1943	6.12	6.50	5.50
1925	7.30	8.00	5.50	1944	5.92	6.50	5.00
1926	7.40	8.00	6.00	1945	6.22	7.29	5.00
1927	7.40	10.90	5.25	1946	5.91	6.50	5.00
1928	6.56	8.00	4.00	1947	5.36	7.41	3.12
1929	6.98	8.00	5.60	1948	5.59	7.40	3.50
1930	7.08	8.00	4.95	1949	5.79	9.00	4.00
1931	6.94	8.00	5.50	1950	5.72	8.17	2.00
1932	6.73	7.70	5.67	1951	6.16	8.86	3.66
1933	6.37	8.00	4.64	1952	5.95	10.00	4.14
				Total	6.48	10.90	2.00

British Investors' Dilemma

By PAUL EINZIG

Commenting on decline in market value of British Government bonds, Dr. Einzig points out, as result, good-class industrial equities have increased in popularity among investors, although income yield of equities is only slightly higher than that of irredeemable government bonds. Holds situation may change with end of cold war and rearmament race.

LONDON, Eng.—In view of the possibility of an improvement of international political relations as a result of the proposed meeting of Foreign Ministers in the autumn, investors are faced with the necessity of reconsidering their attitude. They have to decide whether it is to their interest, in anticipation of the change, to switch over from Government stocks to equities. Since the abandonment of Dr. Dalton's policy of supporting the prices of Government loans in 1947, and more particularly since the abandonment of the cheap money policy in 1951, the popularity of Government loans, and of fixed interest-bearing securities in general, has declined considerably. Their quotations registered substantial declines and wide fluctuations. This has gone a long way towards undermining the faith in Government stocks as the ideal investments for those seeking safety rather than high yield. Moreover, even those investors who can afford to ignore the Stock Exchange fluctuations of their Government stocks have been adversely affected by the depreciation of the purchasing power of their fixed incomes.

Dr. Paul Einzig

Another reason why good-class industrial equities have increased in popularity has been the consolidation of the Conservative Government's position. It is now widely believed that the Conservative Party will remain in office till at least 1960. This means that business firms can depend on a friendly and helpful attitude on the part of the Government, instead of having to put up with a hostile Government. It is reasonable to expect some relief in the burden of taxation and the relaxation of the unofficial ban on dividend increases.

It is for the above reasons that the yield of first-class industrial equities is only slightly higher today than that of irredeemable Government Loans. There is a movement afoot to induce the Government to introduce legislation making it lawful to invest Trust Funds in good-class equities. There is no likelihood of the Treasury yielding in this respect, but the fact that such a pressure exists gives an indication of the prevailing trend.

The question is, how would the situation be affected by a termination of the cold war and of the rearmament race. There can be no doubt that Government Stocks would stand to benefit by it. Apart from its psychological effect, it would enable the Government to reduce arms expenditure which would be helpful from a Budgetary point of view. What is more important, the change would probably be accompanied by a reduction of the Bank Rate and of interest rates in general. This would become possible and even necessary as a result of a decline of business activity resulting from the termination of the rearmament race. Nobody can possibly foresee the extent of such a decline but it is generally assumed that there would be some decline. If so, the trend of prices would be downward and there would be no longer any justification for maintaining interest rates at the high level to which they were raised in 1952 under the pressure of the inflationary situation.

Any reduction of interest rates would of course be highely beneficial to holders of Government Loans. But their meat would be the poison of holders of equities. Even though the psychological effect of a removal of war fears may cause a "peace in our time boom" on most markets this would probably be short-lived. Once the rejoicing is over the possibility of a trade recession, however moderate, is liable to cause a fall in equities, while the rise in Government Loans is likely to be of a more lasting nature.

Should, on the other hand, the outcome of the peace feelers prove to be disappointing, the rearmament race would have to continue to the detriment of the Budget and of Government Stocks. The inflationary boom would be resumed and the prices of equities would stand to benefit by it. It seems, therefore, that the decision of investors whether to prefer equities or Government Stocks depends on the view they take on peace prospects. This is not an economic question and investors cannot look to economists for guidance. All that economists can say is that in existing circumstances the difference between the yield of the two classes of investments appears to be too small.

Hitherto we have been dealing exclusively with the international political factor and its possible repercussions on the business situation and on Stock Exchange values. It is necessary, however, to bear in mind also the domestic political factor. Should the peace attempt be successful it would greatly strengthen the position of the Conservative Government which would be a bull point for equities. Should the peace attempt fail it would probably weaken the Conservative Government's position and from this point of view it would tend to mitigate the rising trend of equities that would result from continued rearmament. On the other hand the improvement of the prospects of Socialists would be a bull point for Government Loans because a return to cheap money is the declared policy of the Socialist Party. Indeed the latest trend of thought among the Socialist financial experts is that the official monetary policy should aim at insulating interest rates on Government securities from interest rates on loans to the private sector of the national economy. Mr. Gaitskell and his colleagues are engaged in studying methods of insulation applied in other countries and there can be no doubt that should they return to office, they would try to apply them in Britain. This would mean that even to the extent to which a Socialist Government would apply credit restrictions to check an inflationary boom, an attempt would be made to keep interest rates on Treasury Bills and Government Loans at a low level.

It seems therefore certain that any development in domestic policies or in the international situation that would strengthen the chances of the Labor Party to return to office would tend to widen the discrepancy between the yield of Government Loans and equities.

Eisenhower Orders Restudy of U. M. T.

President, in statement nominating Gen. Julius Ochs Adler, Warren Atherton and Dr. Karl T. Compton to National Security Training Commission, reveals he has directed the Commission to make a new study of the feasibility and desirability of operating a military training program.

In a statement issued from the White House by President Dwight D. Eisenhower on July 23rd, in which he announced the nomination of Gen. Julius Ochs Adler, Vice-President and General Manager of the "New York Times"; Dr. Karl T. Compton of Massachusetts, and Warren Atherton of California, to be members of the National Security Training Commission, the five-man board created to work out a military training program, the President revealed that he has directed a new study be made and a report submitted on the question by Dec. 1.

Pres. Eisenhower

The text of President Eisenhower's statement was as follows:

I have nominated to the United States Senate Julius Ochs Adler, Warren Atherton and Dr. Karl T. Compton to fill the vacancies now existing on the National Security Training Commission.

The National Security Training Commission was created by Public Law 51, Eighty-second Congress, to study and submit national security training plans and exercise civilian control over such a program.

The three gentlemen whose names I have submitted to the Senate, serving with the two military members, Lieut. Gen. Raymond S. McLain (ret.) and Admiral Thomas C. Kinkaid (ret.), will complete the membership of this commission. Upon his confirmation by the Senate, I shall designate Mr. Adler to be Chairman.

I am requesting the commission to submit to me not later than Dec. 1, 1953, a report which shall include, but not be limited to, (1) an examination of inequities in the present method of securing men for our armed forces' reserves and the burdens imposed, with suggestions to remedy these inequities; (2) the feasibility and desirability of operating a military training program to supply trained non-veteran reserves while at the same time continuing induction for service; and (3) the relationship of such a program to the building of a strong and equitable citizen reserve sufficiently advanced in training to permit regular forces to expand rapidly from peace strength to war strength.

I am also requesting the Office of Defense Mobilization to submit to me by Dec. 1, 1953, a definitive report on the availability of manpower to operate simultaneously a military training program and supply our active duty military personnel, including an analysis of the impact of such a program on our requirements for agricultural, scientific, professional, technical and skilled personnel.

I am confident that it is the will of this nation that the responsibilities for its defense should be shared as equally as possible by all of its citizens.

And yet as our veterans of Korea return home they find themselves under legal compulsion to shoulder a six-year reserve obligation. Our only effective military reserve under this present system is—and apparently will remain—composed almost wholly of men who have already served the nation in the Korean war, World War II, or both.

I also find that under the present system thousands of our young men have not yet assumed any military obligation to our country. Men who have not been inducted for Korea not only escape the ordeals of that conflict, they also undertake no reserve obligation.

Thus our system requires our soldier of today also to carry the future national defense burden ahead of the man who has received no training, has done no service, and has assumed no reserve obligation.

These inequities appear to me to directly contravene some of the most basic principles of our society.

I have had doubts, and have voiced them publicly, that sufficient manpower would be available to supply our active-duty military personnel requirements and a military training program at the same time.

I have, however, reviewed our manpower data in the light of the recent reduction in the size of the standing forces, and I am hopeful that the studies I have requested of this matter can produce suggested remedies for the inequities which have long characterized our military manpower policies.

Western-Nebraska Oil Stock at $1 a Share

Israel & Co., of New York City, are offering publicly an issue of 299,950 shares of Western-Nebraska Oil Co., Inc. common stock (par 10 cents) at $1 per share "as a speculation."

The net proceeds are to be used to pay mortgage assumed on Grabowski lease for cost of drilling well on the Grabowski and Sprenger leases, cost of equipping same as producers, and for working capital.

The corporation was organized in Delaware on Feb. 4, 1953 for the purpose of exploring for gas and oil and development of likely gas and oil prospects. The company intends to conduct operations initially in the State of Nebraska.

The corporation has acquired an undivided one-half interest in the Grabowski lease in Cheyenne County, Neb., consisting of 220 acres; an undivided one-half interest in the Sprenger lease, also in Cheyenne County, consisting of 1,840 acres; an undivided one-half interest in the Jones lease in Dundy County, Neb., consisting of 1,120 acres; an undivided one-half interest in the Day lease in Chase County, Neb., consisting of 1,440 acres; and an undivided interest in the Earl lease, also in Chase County, consisting of 2,766 acres.

Ted Richards Wins Golf Championship

LOS ANGELES, Calif. — Parbusting Ted Richards, a week-end golfer who spends the rest of the week as a securities salesman in the Los Angeles office of J. A. Hogle & Co., 507 West 6th Street, members New York Stock Exchange, walked off with the top honors at Seattle, Washington, by winning the National Public Links golf crown.

"Steady Ted" outfinished a fellow Californian, Irving Cooper, 1-up in the 36-hole final round. Richards fired a 69 morning round over the par 71 West Seattle layout, and a 35-37-72 on the afternoon tour to take the match.

A Serious Warning!

"An increase in business debt, like any other expansion of credit tends to intensify inflationary forces. Thus, no matter how the question is viewed, it is impossible to regard with complacency a continuation of the dependence of business on large-scale borrowing for financing its expansion. The question then is what alternative sources are available. New contributions of equity capital—in the form of stock issues and investment by proprietors and partners—have been only trivial in amount. General economic conditions have evidently not been such as to encourage risk-taking or equity investment.

"The final conclusion is that, unless the supply of venture capital is increased, either one or a combination of the following results must ensue:

"(1) Business expansion must cease, or

"(2) The real burden of business indebtedness must increase, or

"(3) Inflation must continue, thus reducing the real burden of debt.

"All three of these alternatives are equally undesirable. But they are inescapable, unless certain changes occur in the general economic climate. This, then, is the central problem of present-day business finance."—National Association of Manufacturers (George G. Hagedorn).

Perhaps this warning would interest the new "Hoover Commission." We hope so.

No Serious Business Decline This Year!

A survey of 189 manufacturers by the National Industrial Conference Board reveals that higher profits are expected, despite narrowing margins.

There is little indication of a serious business decline in the remainder of 1953, according to 189 industrial executives cooperating in a recent survey conducted by the National Industrial Conference Board.

The Board notes, however, cooperators generally feel that business in the last half of 1953 will be conducted on a more competitive basis.

Prospects for New Orders: Volume Up—Trend Down

Forty-three percent of the cooperating companies expect the total volume of new orders booked in the second half of 1953 to exceed that in the comparable 1952 period. This compares with 29% who forecast a decline in new order volume. The rest of the cooperators see no change. The Board notes, however, that 47 companies expect the trend in bookings to be downward in the second half, while only 24 believe that their bookings will rise.

Cancellations

The NICB survey did not reveal excessive cancellations of orders. Eighty-four percent of all cooperating companies report they have experienced no increase in cancellations, while another 5% report that cancellations have actually declined.

Of the remaining companies most indicate that to date the increases in cancellations have been relatively small.

Last Half Sales to Top Same Period of '52

A majority (59%) of reporting executives predict that dollar sales (billings) in the second half of 1953 will exceed those for the second half of 1952. Aside from an expected higher physical volume of business, increased selling prices are most frequently mentioned by executives optimistic on the sales outlook. Other reasons given are: avoidance of major strikes, elimination of most raw material shortages and increased output of military supplies for the government.

Backlogs—The Peak Is Past

Forty-five percent of cooperators report current backlogs of unfilled orders are smaller than a year ago, while 35% of the companies report increased backlogs. Twenty percent have experienced no change.

Only about 20% of the companies reporting believe that their backlogs at year-end will be any larger than at present, while more than twice that number believe their backlogs will be reduced. The remainder anticipate no change from current levels.

The NICB survey reveals that the concerns generally attribute declines in backlogs of orders to increased productive capacity, government contract terminations, the stretch-out of contracts, and the removal of restrictions on use of metals.

Inventories Under Control

Although 30% of the cooperating companies report inventories higher as a percent of sales than a year ago, 39% have lowered their inventory-sales ratios, while the remainder report no change.

Almost half of the cooperating industrial firms expect to reduce inventories in relation to sales during the next half year as compared with only a fifth which indicate a relative rise.

Close Watch on Collections

Approximately 25% of cooperating companies report some lag in collections, although in the majority of cases it is very slight. Thus far the tendency toward slower collections has been noticed mainly among chronically slow or marginal accounts, some foreign customers, and customers with small working capital.

In most instances, however, the Board's survey reveals that the credit situation is being watched more closely, although only about 6% of the cooperating companies have actually revised their credit policies.

Profit Outlook Favorable

More than half of the executives estimating profits before taxes expect them to exceed the comparable 1952 figures, although many note that profits as a percent of sales will actually decline. NICB notes that fewer than one out of four companies replying believe that their 1953 profit prospects are poorer than in 1952.

The survey reveals that while some companies feel that higher prices will contribute to improved profits, stronger consumer resistance against such increases is reported. New products just going to market and the operation of additional capacity will bolster profits in some companies.

Causes most frequently mentioned by companies expecting lower profits in 1953 are lower volume of shipments and increases in costs not compensated for by increased selling prices.

Washington and the Phila.-Baltimore Stk. Marts to Merge

Members of exchange in Capital City vote for merger, which will make it a branch of the Philadelphia Exchange.

At a special meeting of members of the Washington Stock Exchange, held on July 21, it was voted to merge the organization with the Philadelphia - Baltimore Stock Exchange. Under the plan of the merger, the Washington exchange will operate as a branch of the Philadelphia exchange.

G. Fenton Cramer, President of the Washington Stock Exchange, stated in announcing the vote that no substantial change in the actual trading activities of the Washington Stock Exchange or reporting of quotations is contemplated.

"Present local procedures will remain practically undisturbed," he said, "and Washington investors and the local financial community will be furnished with modern facilities, professionally supervised, fully staffed and equipped to meet the increasing number of investors and rising volume of trading here."

Frank L. Newburger, Jr., of Newburger & Co., headed the Philadelphia committee which had been negotiating for the merger during the last two years.

"In the opinion of our committees," Mr. Newburger said, "the merger is in the best interest of both exchanges. Many of the facilities that will be afforded to the Washington financial community through the merger are already established in the Washington office of the Philadelphia-Baltimore Exchange opened Oct. 1, 1951. It is expected that with the merger, use of these facilities will become more widespread and will mark an important step in the expansion of the Philadelphia-Baltimore Stock Exchange."

It is expected that the merger will become effective by Oct. 1. The final plan, however, must be approved by the Board of Governors and certain constitutional changes must be voted by the members of the Philadelphia exchange before the merger can be consummated.

Nebraska Investment Bankers Annual Party

OMAHA, Neb. — The Nebraska Investment Bankers Association of Omaha and Lincoln will hold their annual bond party Sept. 15, 1953, at the Omaha Country Club. A cocktail party will precede the party on Sept. 14. Harry R. Greenway, Vice-President of Central Republic Company, is Chairman.

56 Economists Fear Further Debt Monetization In Absence of Redeemable Dollar

Members of Economists' National Committee on Monetary Policy point out difficulties confronting Treasury in avoiding monetization of Federal debt at low interest rates will be exceedingly great unless dollar is made convertible into gold.

Commending the Treasury's efforts to fund the Federal debt in the open market, even though at higher interest rates, a group of monetary economists in a statement issued on July 27 recommended domestic redeemability of the dollar in gold as a means of strengthening the government's credit and holding down the interest cost of the debt.

The text of the statement, signed by 56 members of the Economists' National Committee on Monetary Policy, follows:

A Statement by 56 Members on A Good Government Bond Market Outside Banks

(I) The United States Treasury is to be commended for its efforts to turn from banks to savers in the marketing of its securities since monetization of Federal debt by banks is an unsound procedure.

As the Treasury turns from banks to free and open markets and thus increases its demands for the use of people's savings, it is to be expected that the government must pay interest rates substantially higher than those that prevailed when it financed itself in such high degree by selling its debt to banks in exchange for deposits and Federal Reserve notes.

Proof that the interest rates, at which the Treasury could borrow from banks, have been artificially low is revealed by the fact that the Treasury has been compelled to turn from savers to the banks in such high degree for loans at those rates.

The evils in such artificially-maintained low interest rates are found in the consequences flowings from the fact that the government frees itself from the pressure which savers should be able to exercise through interest rates determined in free competitive markets. Freed from the restraints of such interest rates, the government is invited to borrow and to spend freely; the currency is expanded improperly since it is created against Federal debt; the purchasing power of the people's currency tends to decline; economic distortions are created by the artificially low interest rates and the defective qualities and excessive quantities of the Federal Reserve notes and deposits arising from the purchase of Federal debt by commercial banks. These economic distortions, if not effectively checked, tend to culminate in unhealthy boom, followed by business recession and depression.

To the extent that the United States Treasury is able to borrow and to fund and refund existing Federal debt by inducing savers to invest in its securities at prevailing rates in free open markets, it is able to return to proper and prudent methods of financing its needs and to avoid adding to the unfortunate consequences which have arisen and may be expected to flow from the practice of monetizing Federal debt unwisely pursued by our government in recent years, particularly since 1941.

Officials of the Treasury who are now endeavoring to return to proper methods of Federal financing should have the support of all who desire correct administration of Federal fiscal affairs. The position of those who object to higher or rising interest rates, as the Treasury endeavors to turn from the commercial and Federal Reserve banks to savers, and who recommend a continuation of debt monetization at artificially low interest rates through banks, as did, for example, 21 members of Congress in a Resolution of May 11, 1953, is regrettable.

The Treasury should pursue the course of turning to savers rather than to banks for the loanable funds required at whatever rates prevail in free markets.

(II) Both the Treasury and Federal Reserve authorities are to be commended for the progress being made in freeing the Federal Reserve System from domination by the Treasury and in substituting a program of maintaining an orderly government securities market for one requiring that the Federal Reserve System maintain fixed and artificially high prices for such securities.

(III) The problems of the Treasury could and should be lessened, the prospects of success in selling its securities to savers at relatively low rates of interest should be enhanced, and our people in general should be greatly benefited, if this nation's currency were promptly made redeemable at the statutory rate of $35 per fine ounce of gold.

A people blessed with a redeemable currency and confident that the principal of, and interest on, government bonds will be paid in currency redeemable in gold tend to purchase such securities at lower rates of return than those required to induce them to make such purchases when their currency is irredeemable. Nonbank investors in government securities are not to be captured at relatively low rates of interest by the use of an irredeemable or depreciating currency.

This fact was clearly illustrated by the Treasury's experiences before and after resumption of specie payments on Jan. 2, 1879, as revealed, for example, by John Sherman, Secretary of the Treasury, March 9, 1877—March 3, 1881, who observed in his *Recollections of Forty Years in the House, Senate and Cabinet* (The Werner Co., New York and Chicago, 1895), Vol. II, p. 702: "The immediate effect of resumption of specie payments was to advance the public credit, which made it possible to rapidly fund all the bonds of the United States then redeemable into bonds bearing 4% interest"—a rate much below pre-1879 rates in terms of an irredeemable currency.

From his p. 705: "My published correspondence shows that with all the efforts and strength of the department it was impossible to keep up with the subscriptions for bonds pouring in from all parts of the United States and from Europe [after Jan. 2, 1879]."

When the Treasury was borrowing from savers and banks during the period of irredeemable Greenbacks, particularly during that part of the Greenback period in which the government distinguished between its promises to pay in coin or in lawful money other than coin, a common differential in terms offered or paid by the government was 6% on bonds payable in coin as against 7.3% when payable in currency. (This differential is illustrated by the Seven-Thirties of 1864 and 1865, the Five-Twenties of 1865, the Consols of 1865, 1867 and 1868.—Rafael A. Bayley, *The National Loans of the United States From July 4, 1776, to June 30, 1880*, Government Printing Office, 1881, pp. 165-169; Robert A. Love, *Federal Financing*, Columbia University Press, New York, 1931, Appendix, folders 5 and 6.)

The principle of higher interest rates for government bonds payable in irredeemable currency as compared with those on the same class of bonds payable in coin or a redeemable currency was recognized by Congress when it passed the law of March 18, 1869, promising to redeem all United States securities in coin.

Writing of the consequences of passing the Act of March 18, 1869, which pledged the faith of the United States to the payment in coin or its equivalent of all the securities of the United States, except when other provision had been made in law authorizing the issue, Davis Rich Dewey observed in his *Financial History of the United States* (Longmans, Green and Co., New York, 1918), 6th ed., p. 349: "The apprehension of investors was relieved, and refunding at lower rates of interest was greatly facilitated . . ."

The handicaps under which a government labors when it attempts to market its securities in terms of an irredeemable currency, as illustrated by our Treasury's attempts in 1864 to sell some of its bonds at a then relatively low interest rate of 5%, were commented upon in part as follows by Albert Sidney Bolles in his *Financial History of the United States From 1861 to 1885* (D. Appleton and Co., New York, 1886), Book I, p. 107: "The issue of paper money led many to distrust the government and to hesitate in buying its bonds. If there had been nothing beside public securities for them to purchase, then the bonds would have been sold; the owners of wealth, however, could do numberless things with their accumulations. And in truth they did. The theory of watering the circulation in order to quicken investments in bonds was a fallacy of the gravest magnitude, but one, unfortunately, which many persons cherished. The wider the departure of the government from sound principles in issuing money, the greater was the distrust of thinking men, including a very large class of investors, and the less inclined were they to buy government obligations. They preferred to speculate, to buy railroad bonds and stocks, real estate, mortgages, to build houses, factories, and the like."

The difficulties confronting our present Treasury officials in combating the problems arising from monetization of a huge volume of Federal debt at artificially low interest rates promise to be exceedingly great under the best of circumstances. These difficulties should be minimized as much as possible. The maximum benefits for the Treasury and nation are to be obtained only if our people are able to enjoy the blessings of a redeemable currency and the Treasury is enabled to market its securities in terms of a redeemable currency. Congress should provide promptly for redeemability. Without its benefits, the Treasury may be forced to return to the banks for further monetization of the Federal debt. Our government should profit by the lesson so clearly illustrated in 1879.

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Movie Attendance and Sales Of Candy Go Hand-in-Hand

Leon J. Levenson, Concessions Chairman of the Theatre Owners of America, Inc., tells National Confectioners' Association there is no surer way of increasing sale of candy bars than by increasing motion-picture theatre attendance.

"Movies and candy seem to go together like bread and butter," Leon J. Levenson of the American Theatres Corporation and Concessions Chairman of the Theatre Owners of America, Inc., told 7,000 candy manufacturers at the 70th Annual Convention of the National Confectioners' Association at a session in the Waldorf-Astoria, New York City.

Urging the industry to cooperate in promoting movie attendance through its advertising programs, Mr. Levenson said, "I know of no surer way to increase the sale of candy bars than by increasing the attendance in motion-picture theatres. Our potential increase in attendance is probably 100%, and any amount that it is increased will reflect itself in candy sales because of the direct relationship between attendance and sales."

Almost 100% of the candy sales made in the average moving picture theatre are in the low-price bar field, he noted.

To merchandise candy bars more effectively, theatre owners in recent years made large investments in glamorous stands, set them in conspicuous lobby locations, modernized lighting effects and added attractive attendants. To build repeat sales, quality candy was offered. The consumer with 5 or 10 cents to spend is just as much a shopper for value as the one with $5 or $10, Mr. Levenson said. With this new approach to merchandising, which got its start in 1935, "the sale of candy in theatres within a very few years built up a volume that represented over 25% of all the bars sold through all the retail outlets in the country," he stated.

Meeting the Threat of TV

"A few years ago, the theatre industry was hit by the advent of television; sales dropped and the candy bar manufacturer also suffered because millions of consumers were being kept from the point-of-purchase." Steps were taken in two directions: first, to attract to the stand a larger percentage of those who were inside the theatre; second, to make a larger unit sale to those who were buying.

"The first was accomplished by adding to the appeal of the candy stand wherever possible and by the judicious use of impulse-exciting trailers and short intermissions. The second was achieved by making available higher priced items, particularly in attempting to convert as many 5-cent sales to 10-cent sales as was possible. This was done in most theatres by reducing the number of 5-cent items carried and increasing the number of 10-cent items, and in the larger houses by attempting to sell 15-cent and 25-cent candies," Mr. Levenson told the confectioners.

Continued from first page

Profit Margins in a Buyers' Market

their products resulting from a large expansion of productive facilities. A close study of the operating records of leading companies in these industries during the past three or four years, may possibly afford some sort of preview of what could be in store for those groups whose products are still in a "sellers' market." It may also serve to help restore a balanced perspective to an investing public which has become accustomed to regarding forced-draft operations as a normal and everlasting expectancy, and wide profit margins as a felicitous companion piece to this condition.

A Review of Economic Conditions

As background material for a discussion of this type, a brief review of economic events and conditions is illuminating. Such a review makes it abundantly clear that during the years following the close of World War II, the supply/demand relationships in most industries have been profoundly disturbed by what might be styled as unnatural or non-recurring stimuli. These disturbed relationships have been attended by wide changes in the commodity price structure, the wage rate, the cost of living and, latterly, the basic money rate. They have also been attended by rather large changes in the margin of profit in most businesses. The fact that the period of national emergency has been protracted and intense has tended to endow these stimuli with extraordinary longevity and force. It has become hard to believe that these conditions are not of a permanent nature. Actually, we are now emerging into a transition period where the laws of supply and demand are beginning to exert increasing pressure on our price and profit structure and where the unnatural stimuli are no longer growing in force.

In the pre-Korean years of the post-war period, the supply/demand relationships were thrown out of balance by the following forces:

(1) Great growth in the nations' money supply, resulting from monetization of war deficits.

(2) Large accumulated savings from the war years, individual and corporate.

(3) Accumulated demand by individuals for housing, household equipment, auto and other durable goods.

(4) Accumulated demand by business for new and larger plant facilities, labor-saving machinery, etc.

(5) Inventory replenishment needs.

(6) Increased export demands for rehabilitation and relief.

(7) Easy credit policy.

By 1950, the picture had changed. A large part of the accumulated consumer needs which had been built-up during the war had been satisfied and the great bulk of the post-war plant expansion had been completed. The principal exceptions were in housing, household equipment and automobiles where the boom was being prolonged by easy credit. Merchandise and goods of all kinds were in relatively free supply. Inventories were in normal relationship to sales. The country's production had grown up to its money supply. The money supply was no longer rising because the government was operating on a balanced budget. Prices and living costs had been virtually stationary for a year. A condition of balance had been reestablished.

Then came Korea and again the supply and demand relationships in the economy were upset by abnormal forces. In the year which followed June 1950, a business and consumer buying spree set in. Individuals bought in anticipation of future needs for durable goods. Businesses stockpiled raw and finished materials against possible future shortages and, on a larger scale, the government began to stockpile strategic materials. Of equal or greater importance in distorting the supply and demand ratio was the decision that our industrial productive capacity must be increased by some 20% to the end of achieving a "guns and butter" sized economy in which we could be industrially and militarily strong without denying the civilian population.

The response to this extraordinary upsurge in spending (within 12 months our productive output increased by $56 billion) was a precipiate rise in commodity prices. We had again a "sellers' market" and profit margins expanded very sizably in nearly all lines with inventory profits figuring prominently in the increase. The very rapid speed-up in demand was eventually accompanied by an equal or even greater speed-up in production. The productive output in some lines, principally consumers' goods, by mid-1951 had attained a size where it had outstripped demand. Inventories began to accumulate and price weakness began to develop. The textile industry was among the first to reach this position and, shortly afterward, the floor covering and distillers groups encountered similar conditions. A few months later the drug industry found that competition had become increasingly keen in the field of anti-biotics, where there had been a terrific expansion in plant. Prices fell and profits for the leading manufacturers dwindled.

During 1952, evidences of agricultural surpluses began to appear. The price of farm products declined and, within a few months, this condition began to have a definite effect upon the sales of farm equipment. Similarly, in the mining industry, the sharply increased demand for lead and zinc had brought much higher market prices for the products, bringing high cost mines back into production. By late 1952, there was evidence of accumulating surpluses of these metals. Their decline in price has been very sharp from that time forward.

The deterioration in the position of some of the above named industries has stemmed from over-optimistic projection of existing trends resulting in the creation of excess manufacturing capacity. Basically, however, the weakness in each case has arisen from the expansion of production, for one cause or another, to a point where excess supplies have exerted pressure upon prices and have resulted in much narrower margins of profit. Generally speaking, the actual changes in volume of sales have not been great in the aforementioned groups. As a matter of fact, on a unit basis, today's level of production in some cases is as great as it was two years ago. It is noteworthy, however, that there has not been any significant recovery in the price of the products of these industries, with the result that margins of profit have now fallen to or below the normal margins established in a freely competitive market in these industries over a long period of years.

The groups which have not to date felt the weight of over-supply of products are largely those operating in the capital goods fields where the demand for their products is being sustained by a continued high level of expenditures for armament, plant construction, or both. In some of these latter groups, civilian demand for durable consumers' goods makes up a good-sized portion of the total. It is interesting to note that, in such groups, even though there has to date been little or no shrinkage of sales from the top there has already occurred some erosion in profit margins. The tables which are presented below set forth in rather sharp relief the changes which have already taken place and may suggest other changes in our economy yet to come.

These figures are set up to show the percentage changes—up and down—which have occurred in 14 different industries and 41 companies with respect to sales, margins of profit and pre-tax earnings per share in the years 1949 to 1952, inclusive. The companies selected are among the largest and strongest and, in each instance, occupy a leading position in their respective fields. Some industries have been excluded from the study, notably rails, utilities and insurance. In these fields, the selling price of the service or product is not directly responsive to changes in demand and supply but is set by regulatory bodies. Also no figures are presented for the following industries because the changes in their profit margins particularly, and sales to a lesser extent, were not remarkable or significant during this period: container, food, grocery chains, variety chains, tobacco and department stores. The auto tire, household equipment, motion picture, office equipment, radio and railway equipment industries all showed wide changes in sales, profit margins and pre-tax earnings and if included in the list would only serve to supplement and confirm the evidence as revealed in the broader fields chosen for this study.

An Analysis of Sales Volume

This study shows that some industries attained their peak in sales earlier than others. Also in some, the margin of profit widened more quickly than in others. The same is true with respect to pre-tax earnings. Hence, the percentage increases in all cases relate the figure of 1949 with those of the peak year of 1950, 1951 or 1952. The percentage decreases in all instances relate the peak year with 1952.

The industries studied are divided into two groups. Group I includes those industries which have already felt the effects of one or all of the following conditions: over - production, over - capacity, decline in price of product and intense competition. The steel industry is included in this group, not because of any of the above reasons but merely to illustrate the effect of a small drop in sales resulting from work stoppage. Group II includes those industries which as yet have experienced little if any decline in sales and which had not, at the close of 1952, experienced any inventory problems or felt the full impact of competition.

An analysis of the tables will show that increase in sales volume varied considerably industry by industry, but that the average increase in Group I was almost identical with that of Group II from 1949 to the peak year. In Group I, however, the subsequent decline in sales from the peak year has averaged 11% whereas there has been no measurable decline in Group II. With respect to increases in profit margin, there is likewise a remarkable similarity in average experience in the two groups. In both groups, operating profit as a percentage of sales widened by 35.2%. (This appears not to be an accident for a recent study by a well-known statistical service shows that 197 companies operating in 30 industries recorded an average increase in profit margins of 34.4% in the identical period.) However, under the erosive effects of keen competition, surplus stocks and a very minor decline in sales, the companies in Gorup I suffered a subsequent shrinkage in profit margins in 1952 amounting to an average figure of 37.6%. There was also a contraction in margins in the Group II companies but it averaged only 17.1%.

In this connection, it is important to note that, in Group I, four out of five of the industries in 1952 were recording margins of profit *below* their average experience over a long period of years. Conversely, in Group II even though there has been a shrinkage in margin in every industry except machinery, the margin of profit in 1952 remained well above the average long-term experience in every group except chemicals. In the tables, I have marked with an asterisk those industries whose margins are still above average or mean experience.

With respect to increases in earnings per share before taxes, the average experience of the companies in Group I closely approximates that in Group II, the increases being 75.7% and 79.3%, respectively. The subsequent declines in per share earnings (pretax) have no similarity. In Group I, earnings have dropped by an average figure of 45.6% against a 15.2% decline in Group II.

One can be reasonably sure that under the conditions now in prospect there will be no significant increase in industrial output for an indefinite time. We can assume that we are heading into a period of at least moderately lower business activity. This assumption is well grounded in the following facts: The residential building boom has definitely turned downward. Industrial expansion under certificates of necessity is in its final stage. Inventories are high and goods of all kinds are plentiful. Armament expenditures have leveled out and the Administration is seeking to cut them by a fairly substantial figure. Exports are in decline. The credit structure of the country has been strained by years of piling debt upon debt and the Federal Reserve Board has been actively working—and with some success—to stop the dangerous spiral. We are in a position from which further expansion in the economy can hardly take place at any early date and from which some contraction is a logical expectancy.

Industries Which Have Already Undergone Adjustment

This being the case, the recent operating history of companies and industries which have already undergone an adjustment is of especial significance. It affords a suggestion of what may be in store for those groups still enjoying the fruits of a "sellers'

Statistics—Sales, Margins, and Pre-Tax Earnings—1949-1952

GROUP I: Industries which have already felt effects of one or all of following: over-production, decline in price of products, etc.

	% increase in sales from 1949 to hi. yr. of 1950-51-52	Subsequent % declines in sales to 1952	% increase in profit margin on sales from 1949 to hi. yr. of 1950-51-52	Subsequent % declines in profit margins to 1952	% increase in earnings per sh. (Before taxes) from 1949 to hi. yr. 1950-51-52	Subsequent % decline in pre-tax earns. per sh. to 1952
Agricultural Equipment	+17.0	—16.0	+15.0	—33.0	+ 21.8	—40.0
Drugs	+45.4	— 5.7	+45.5	—32.8	+106.0	—35.0
Lead & Zinc	+39.0	— 8.7	+17.0	—21.8	+ 48.5	—37.6
Steel	+51.4	—10.7	+45.0	—42.5	+110.0	—53.6
Textiles	+22.0	—13.7	+53.5	—58.2	+ 92.5	—61.7
Average	+34.9	—11.0	+35.2	—37.6	+ 75.5	—45.6

LIST OF COMPANIES FOR EACH INDUSTRY ABOVE.

Agricultural Equipment: J. I. Case, Deere, International Harvester; *Drugs:* Abbott Laboratories, Merck, Parke Davis; *Lead & Zinc:* American Smelting, St. Joseph Lead, Consolidated Mining; *Steel:* Bethlehem, National, Allegheny-Ludlum; *Textiles:* American Viscose, Burlington Mills, Celanese.

Statistics—Sales, Margins, and Pre-Tax Earnings—1950-1952

GROUP II: Industries which as yet have experienced little, if any, decline in sales and which had not, at the close of 1952, experienced the full impact of competition

	% increase in sales from 1949 to hi. yr. of 1950-51-52	Subsequent % declines in sales to 1952	% increase in profit margin on sales from 1949 to hi. yr. of 1950-51-52	Subsequent % declines in profit margins to 1952	% increase in earnings per sh. (Before taxes) from 1949 to hi. yr. 1950-51-52	Subsequent % decline in pre-tax earns. per sh. to 1952
Automobile	+20.8	None	+20.2	*—28.8	+ 27.4	—17.4
Building Supplies	+37.5	— 1.2	+31.6	*—27.0	+ 67.5	—18.6
Chemicals	+45.2	— 3.9	+23.8	—24.3	+ 81.0	—26.0
Copper	+58.5	None	+35.4	—22.8	+111.0	—19.5
Electrical Equipment	+34.2	None	+51.0	*— 7.0	+ 98.0	— 7.0
Machinery	+73.5	None	+32.2	* None	+106.0	None
Mail Order	+11.5	None	+53.8	*—23.9	+ 77.0	—25.2
Oil	+32.5	None	+43.6	*—13.4	+ 79.0	— 6.0
Paper	+20.2	None	+25.5	*—17.1	+ 67.2	—17.0
Average	+37.1	— .5	+35.3	—17.1	+ 79.3	—15.2

*Above mean margin now.

LIST OF COMPANIES FOR EACH INDUSTRY ABOVE.

Automobile: Chrysler, General Motors, Nash Kelvinator; *Building Supplies:* Johns Manville, U. S. Gypsum, American Radiator; *Chemicals:* Allied Chemicals, Monsanto, Union Carbide; *Copper:* Anaconda, Kennecott, Phelps Dodge; *Electric Equipment:* General Electric, Square D, Westinghouse; *Machinery:* Caterpillar, Food Machinery, Ingersoll Rand; *Mail Order:* Montgomery Ward, Sears Roebuck; *Oil:* Gulf, Phillips Petroleum, Socony Vacuum; *Paper:* Crown Zellerbach, Kimberly Clark, International Paper.

market." The record shows that even in the midst of a high rate of industrial activity, it is possible for a number of industries to experience a decline in sales averaging 11%. It also shows that as conditions have become increasingly competitive, there has been a shrinkage of profit margins back to or below the average experience of a long period of time. This narrowing of profit margins has produced in the industries studied an average shrinkage of 45.6% in per share profits *before* taxes. This is a very large figure. The excess profits tax is still operative but is scheduled to die within six months. The excess profits tax has served to disguise many of the earnings declines which have already occurred, for per share earnings are reported in the press after taxes. In future, however, this cushion will be removed. Hence, the significance of the pre-tax figures as reported here.

Translation of this experience, or for that matter, any hypothetical experience to the affairs of companies and industries not yet encountering fully competitive conditions points up the possibility that very substantial earnings declines may be in prospect for some of them.

In the following tables, I have presented data on major companies in five industries which have not yet experienced any material adjustments in sales and whose margins of profit are running measurably above the margins which have characterized their operations over a long period of years. I have projected a 10% reduction in sales from 1952 levels and have substituted the long term mean ratio of profits to sales for the margin shown in 1952. Then, assuming the elimination of the excess profits tax on Jan. 1, I have subjected the pre-tax earnings to a 50% levy. (In the oil industry, I have applied a 26% tax since this appears to be about the average rate of Federal income taxes in the industry.)

Schedule A

	Auto	Bldg. Equip.	Mach.	Mail Order	Oil
Sales per share—1952	$156.09	$73.48	$93.63	$144.06	$52.96
Less 10%	140.49	66.14	84.27	129.66	46.67
Mean ratio profit to sales	9.1%	14.3%	17.9%	8.2%	11.8%
Estim. pre-tax $ per share	12.81	9.46	15.08	10.56	5.62
After 50% tax	6.41	4.73	7.54	5.28	*4.16
Actual per share—1952	6.07	6.82	6.34	5.98	5.36
Change over 1952	+5.6%	—30.6%	+19.0%	—11.6%	—22.4%

*At 26% tax.

The results obtained on this postulation are probably on the liberal side for examination of profit margins in almost every industry in periods of 10% or greater sales decline indicates that margins usually drop well below the mean ratio. The automobile and machinery groups listed above are such heavy payers of excess profits tax that, under this method of estimate, the projected earnings per share would be a little in excess of those reported in 1952. In the building equipment group, however, the shrinkage in profits per share would be 30.5%. In the mail order classification, the drop in earnings would be 11.6% and in the oil group, the decline would be 22.4%.

Application of this same hypothetical condition to a leading company in each group would show the following results:

Schedule B

	General Motors	Johns Manville	Ingersoll Rand	Montgomery Ward	Phillips Petroleum
Sales per share—1952	$86.54	$77.28	$80.19	$166.80	$49.48
Less 10%	77.89	69.56	72.18	155.20	44.54
Mean profit margin—%	15.1%	11.9%	27.2%	7.6%	14.8%
Estim. pre-tax $ per sh.	11.76	8.27	19.63	11.37	6.59
After 50% tax	5.88	4.13	9.81	5.68	*4.87
Actual per share—1952	6.26	7.14	10.08	7.41	5.17
Percentage decline	—6.4%	—42.0%	—2.7%	—23.4%	—5.8%

*At 26% tax.

One has, of course, no way of knowing whether or not a 10% drop in sales is more or less than a reasonable expectancy. By the same token, one cannot say with any assurance that the long-term ratio of profits to sales will be maintained in the presence of a moderate sales decline. Actually, it probably will not. It may be of some interest, therefore, to translate the actual experience of some recession year to present figures. The 1937-1938 period has been chosen for this study. In that period, there was a short but sharp recession in business in this country accompanied by inventory liquidation, declining bank loans and falling commodity prices. The change in the rate of spending of the general public, however, was not remarkable. Actually, in 1938, there was less than a 4% drop in personal consumption expenditures from the 1937 level. Similarly, personal income, as computed by the Department of Commerce, was only 7.6% under the levels of prosperous 1937. Consumer expenditures for durable goods dropped 17.6%, however, against only a 3.8% decline in expenditures for non-durable goods. Curtailment of capital expenditures became the order of the day. Sums spent for new construction by individuals and corporations fell off 10% from the preceding year and expenditures for capital goods and equipment dropped 27%. Investment in inventories declined very sharply. As a matter of fact, the change in inventories represented a more sizable figure than any other component of the Gross National Products computation for 1938.

Expenditures by the Federal Government and by State and local governments actually increased a little bit in 1938 over the 1937 figures.

This study is not made with any idea of suggesting that the experience of 1938 will be repeated. However, it is not impossible that our economy might go through an adjustment, in the next year or so, of proportions as great as in 1938. In any event, the application of the operating experience of those years to the 1952 situation of the five companies mentioned above is productive of some rather startling results with respect to earnings per share of stock.

Schedule C

	General Motors	Johns Manville	Ingersoll Rand	Montgomery Ward	Phillips Petroleum
% sales loss, '38 from '37	—34.0%	—22.0%	—24.0%	none	—5.8%
1952 sales — adjusted for 1938 experience	$57.14	$60.28	$61.00	$166.80	$46.61
Margin—1938	10.1%	4.1%	18.6%	5.8%	10.3%
1952 pre-tax earnings on 1938 margin	$5.77	$9.47	$11.34	$9.67	$4.80
Earnings after 50% tax	$2.83	$1.24	$5.67	$4.83	*$3.55
% decline from '52 earns.	—54.5%	—82.5%	—44.0%	—34.8%	—31.3%

*At 26% tax.

In the case of General Motors, a 34% drop in sales was attended by a margin of profit one-third under the mean and resulted in a 54.5% decline in earnings per share of stock. Johns Mansville sales declined by 22%, its margin of profit fell 66% below the mean and earnings per share were off 82.5%. Ingersoll Rand sales drop was 24%, its margin of profit was 32% under the mean and the result was a 44% decline in earnings per share. The situation of Montgomery Ward and Phillips Petroleum was considerably less different. As pointed out in an earlier paragraph, consumer expenditures for non-durable goods did not decline significantly in 1938 from 1937 levels. Thus, it is not strange that there was very little decline in the sales volume of these two companies. It was, however, a period of inventory liquidation, falling prices and intense competition for markets. These influences brought about a 26% shrinkage in margin below the mean for Montgomery Ward and a decline in per share profits of 34.8%. Phillips Petroleum's margin similarly fell more than 30% below the norm or mean and profits per share fell 31.3%.

Summary

The earlier paragraphs of this study are devoted to a discussion of the supply/demand relationships in industry and business in the years following the end of World War II. Throughout most of this eight-year period, there have been unusual and non-recurring stimuli at work on the demand side of the equation resulting in rising prices and all of the other phenomena peculiar to a sellers' market. Tables have been presented to show that in the presence of these stimuli and pressures, the profits per dollar of sales in nearly all business rose to levels considerably above the normal experience. This was particularly pronounced in the 12-month period which followed the outbreak of war in Korea. In the presence of an ever-widening demand for goods of all types and a highly satisfactory margin of profit, a wave of plant expansion set in. The increase in the nation's productive facilities was accelerated and accentuated by government prodding, for the initial phase of our rearmament program was dedicated to the task of enlarging our capacity to produce. In the course of time, these new facilities began to pour their output into the flooding stream of production. In some industries, such as textiles and drugs, a condition of shortage gave way to a situation of over-supply, price weakness developed, profit margins were squeezed and earnings declined. In other industries, notably those tributary to construction, consumer durable goods and armament—or all three—the tide of demand continued to rise rapidly enough to meet the increase in output and relatively high margins of profit have been maintained.

We have now reached a point, however, where no further increases in demand are in prospect, and where evidences of a tapering off have begun to appear. There is thus a strong prospect that the pattern already traced in the textile, drug and distilling industries may, in some degree at least, be repeated in other lines which have yet to feel the full force of competitive markets. The automobile, building, steel, copper, and even oil industries are now able to produce all or more than the market will take of their products. They will feel increasingly the pressures of competition in the marketing of their output. The evidence available in the statistical record carries more than a suggestion that in a buyers' market, the high profit margins which have obtained will not persist and that they will experience a measurable decline in earning power.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

The investment interest in fire and casualty insurance stocks has broadened considerably in recent years.

The shares of the larger companies because of their long records of earnings and dividends have been accepted as desirable issues for pension funds. At the same time the growth of the insurance business has become more apparent and with the need of attracting additional capital, wider publicity has been given to the investment position of the various companies in the industry.

This favorable investment position has also received increased attention from supervisors of trust funds and in the effort by various states to liberalize investment regulations with respect to equities, insurance stocks have generally been given preferred consideration. In a number of instances, specific legislation has been passed permitting institutions such as savings banks to invest a portion of their funds in certain fire and casualty issues.

In this connection Massachusetts and New Jersey recently enacted laws permitting savings banks in those states to purchase insurance stocks which meet certain requirements.

The eligibility requirements of the Massachusetts statute provide that the insurance company—

(1) Be authorized to write fire insurance in Massachusetts.

(2) In the five year period immediately preceding the date of investment, not less than 50% of net premiums written by the company and its subsidiaries must have comprised fire and allied lines.

(3) Not over one-third of net premiums written must have been for automobile liability lines in the same five year period.

(4) At the end of the immediately preceding year, the company must have been one of the twenty-five largest American fire insurance companies as measured by total admitted assets, and a majority of its stock must be owned by more than five shareholders.

(5) Of the twenty-five largest companies, the company, on a consolidated basis including subsidiaries, must be among the twelve having the highest operating profit ratio for the previous five-year period.

(6) At the end of the immediately preceding year, the capital funds including voluntary reserves shall be at least 80% of the sum of all unearned premiums on fire and allied risks, plus one-half of unearned premiums on accident and health policies and policies covering liability for personal injury or property damage.

(7) Dividends in cash must have been paid in each of the ten years preceding the date of investment.

(8) There must not be any preferred stock or other senior security outstanding.

It is understood that the stocks of the following insurance companies meet the above eligibility requirements and are approved for purchase by the Massachusetts savings banks.

Federal Insurance Company.
Firemen's Fund Insurance Company.
Great American Insurance Company.
Hartford Fire Insurance Company.
Insurance Company of North America.
Merchants Fire Assurance Corporation.
Northwestern National Insurance Company.
Phoenix Insurance Company.
St. Paul Fire & Marine Insurance Company.
Springfield Fire & Marine Insurance Company.
Westchester Fire Insurance Company.

The New Jersey legislation has three principal requirements.

(1) the Company must be authorized to transact insurance business in New Jersey.

(2) Capital funds including special surplus funds should at least equal $20 million.

(3) Cash dividends on the stock must have been paid in each of the five previous years preceding the date of investment.

The provisions of the New Jersey statute are broad and while no official list of stocks meeting the requirements has been published, most of the major insurance companies are believed to qualify.

The liberalization of legislation in these two states, together with other recent changes, should help to create a wider interest in the stocks of insurance companies.

Railroad Securities

Baltimore & Ohio

Some of the lower priced rail stocks have been attracting greater speculative interest in the past week or so. However, even with the increased buying they have been doing very little pricewise. This is particularly surprising in the case of the major Eastern roads which have been reporting spectacular year-to-year earnings gains in recently issued June and six months' earnings reports. June, of course, reflects the serious adverse influences of the steel strike a year ago but even discounting that factor the six months results show up well and indicate the continuing trend toward greater operating efficiency.

There can be no question but that July earnings, also reflecting last year's steel strike, will make very good reading. Probably the favorable comparisons will continue into August and even in the last five months of the year there should be no material contraction in earnings. For the year as a whole it now appears safe to forecast a new all-time high in railroad earnings. Some of the biggest percentage gains in 1953 earnings will be witnessed in the more speculative group of carriers.

The feeling is growing among railroad analysts, and in other financial circles, that the market is not apt permanently to ignore the improving earnings picture. Also, speculative sentiment is quite apt to strengthen as it becomes apparent that the Korean truce is not going to result in any sharp cut-back in our armament program or bring with it any appreciable recession in our industrial economy. One of the speculative issues that has been attracting the attention of traders in the past week or so, but which it still selling well below its 1953 high percentagewise, is the common stock of Baltimore & Ohio. The final figures for this road for June had not as yet been released at the time of this writing. However, a week or so ago Mr. R. B. White, President of the road, stated that preliminary figures indicated June net income of $3 million which would represent an increase of nearly $2 million over the like month a year earlier.

As compared with a year ago Baltimore & Ohio did not, as did some of its competitors, start out 1953 in any spectacular manner. For one thing, it had already been doing very well in 1952. Secondly, with an unusually mild winter, and with a desire in some quarters to work off inventories, coal traffic declined appreciably in the opening months. As a result, earnings at the outset were somewhat lower than they had been in the early months of 1952. More recent months, however, have seen a resumption of the upward earnings trend. The earlier modest declines have been more than made up and, based on the recent management announcement, earnings for the six months are indicated at roundly $13.5 million, or nearly $3 million higher than for the first half of 1952.

The year-to-year increase in Baltimore & Ohio's earnings in the first half of the year is equivalent to approximately $1.15 a share on the common stock. In the full year 1952 the road reported share earnings of $9.74 a share, before sinking and other reserve funds. If the lost year of 1953 were to do no more than match the performance of last year this would work out to $10.89 a share for the full year. Actually, with virtual assurance that the second half will get off to a good start in July and August, and growing evidence that steel operations are going to remain high in the final quarter, the second half should show a continuation of the year-to-year earnings gains. While the management apparently remains conservative with respect to earnings prospects, many analysts are looking forward to between $11.50 and $12.00 a share, before funds, this year.

Despite the prospects for high earnings (perhaps close to 50% of what the stock has been selling for) there is little likelihood of anything spectacular in the way of dividends. The road resumed dividends late last year with a payment of $0.75 a share and a similar distribution, or perhaps $1.00, is generally expected in 1953. The conservative dividend policies are necessitated by the heavy property and sinking funds provided for in the company's debt readjustment plan of a few years ago. Nevertheless, it is pointed out by analysts that use of cash for such purposes works toward the consistent improvement of the road's credit standing and fundamental status of the junior equity. In the long run it is far more constructive to the common stock than would be the payment of sizable dividends at this time. Moreover, as debt and charges are reduced the day when the restrictions will be removed moves closer.

NYSE Governors Approve New Commission Rates

Keith Funston, President of New York Stock Exchange, estimates new schedule will bring in 15% additional commission revenues of member firms. Membership to vote on proposal.

The Board of Governors of the New York Stock Exchange has approved a new schedule of minimum commission rates and submitted the schedule to the membership for their approval or disapproval, Keith Funston, President, announced July 23.

The new schedule of rates, Mr. Funston estimated, would result in an over-all increase of about 15% in commission revenues of member firms. If approved, the rates would become effective Aug. 17, instead of Sept. 1 as previously contemplated.

"In keeping with the Exchange's policy of doing everything possible to encourage widespread ownership of industry," Mr. Funston added, "commissions on most transactions involving $1,000 or less would be unchanged or lower."

The schedule includes two innovations: a discount on volume transactions and a discount on transactions completed within 15 days.

The proposed new rates call for an amendment to the Exchange's Constitution. A majority of the 1,375 members of the Exchange must vote on the proposal and a majority of those voting must approve for the amendment to become effective. Members have two weeks in which to vote; if a majority has not voted within that period, the voting is extended automatically for another two weeks.

A Special Committee of Exchange members and allied members studied the question of commissions for nearly a year before submitting their findings to the Board last April. The Committee's majority report, plus minority recommendations, were sent to the membership for their comments. The Board evolved the new schedule after studying the Committee report and analyzing the views of a large cross section of the membership of the Exchange.

Commissions under the proposed schedule will be determined much as they are today—based upon the amount of money involved in 100 shares or less. However, for simplicity, the commission for a round lot or odd lot is in an even dollar amount. The maximum commission on any single round-lot or odd-lot purchase or sale would be $50. The maximum per share rate for odd-lots would be $1, but the present $6 minimum per transaction would be retained. Commissions on transactions involving less than $100 would be as mutually agreed. Where the amount of money involved in a round-lot or odd-lot is the same, the odd-lot commission would be $2 less than the round-lot rate.

Under Section 2 (a) (1) (iii) of Article XV, as proposed there are provisions for two special rates. The first provision relates to the execution on the Exchange of more than 1,000 shares of a single security for a single account, either on a single day or pursuant to a single order. The rate after the execution of the first 1,000 shares would be 80% of the regular commission. The second provision relates to the execution on the Exchange of both the purchase and sale of a single security for a single account within fifteen calendar days, provided that the customer identifies the liquidating transaction and that securities purchased have not, at the request of the customer, been delivered out or transferred to his name. The commission on the liquidating transaction would be 50% of the regular commission plus $2.50 for 100 shares or $1.50 for an odd-lot. In no transaction may both special rates apply. Neither of the lower rates of commission provided for in sub-paragraphs (b) and (c) of Section 2 (a) (1) (iii) is applicable to a "bunched" order. If a person, firm or corporation for whom a member firm caries an account is acting for others, the member firm must charge the full minimum commission, unless the members firm is advised that the ultimate customer is entitled to the lower rate of commission.

Clearance and floor brokerage rates have been revised as indicated in Sections 2 (b) and 2 (c) and represent increases in most areas. These rates were suggested in both the Majority and Minority Committee reports sent to the membership earlier.

C. R. Wilson Joins Smith, Barney & Co.

CHICAGO, Ill.—Smith, Barney & Co. announced that Charles R. Wilson has been appointed Manager of the Municipal Department of the firm's Chicago Office, 39 South La Salle Street. His previous associations in the investment banking business included 14 years with Glore, Forgan & Co., where for a time he was in charge of the Municipal Department, and five years with The Milwaukee Company. Since 1950 Mr. Wilson has been investment counselor with the United Insurance Company in Chicago.

Osborne Nichols Joins F. S. Moseley & Co.

Osborne D. Nichols is now associated with F. S. Moseley & Co., 14 Wall Street, New York City, members of the New York and Boston Stock Exchanges, as a registered representative. Mr. Nichols was formerly with A. M. Kidder & Co.

Continued from first page

As We See It

with confidence, however, that unless the Commission is given substantial responsibilities of this sort, its opportunity for real service will be rather severely limited. This would be true even if the Eisenhower Administration were to prove the exception to the general rule of the past, and proceed to take positive and constructive action upon receiving the report of the body. This idea—and practice, for that matter—of having an independent group study the organization of the national government, now grown to mammoth proportions, and recommending reorganizations which would eliminate duplication of function and waste of all sorts is an old one—a half a century old at the very least. During that time one study after another and one set of recommendations after another have been toyed with and forgotten.

More Is Involved

But the vital problems of reform and reconstitution of the Executive Branch of the Federal Government today involve a great deal more than this. The present Administration has been making valiant effort to get some measure of order and efficiency into Federal Government operations. It has made some progress without doubt. It will, we suspect, make more as time passes. Its efforts, doubtless, would be the more effective and successful with the aid of some body such as the new Hoover Commission. But when all that can be done in this way has been accomplished, it would quickly be found that it was small indeed by comparison with what is needed. The paramount task today is cutting back the functions of government to accord with traditional American ideas of what government ought to be.

The question is an open one as to whether a Commission of the sort now being launched can in the nature of the case go very far in this direction and have its recommendations accepted by the politicians who have the final say. The personnel of the Commission is apparently chosen with a view to giving its conclusions political potency. There seems to be an admirable balance between the two political parties on the one hand and between politicians and more aloof students of government and social philosophy in general on the other. Such a group, one would suppose, should be able to formulate a national policy in such matters as these which would command the support of intelligent men.

But what is being asked of it—or what is being asked of it if it is expected to deal definitively with these more basic questions—is hardly less than the formulation of a national program. If that program is of a sort to save this country from the damnation to which it has been sentenced by New Deal and Fair Deal nonsense, it would have to be sold to large elements of the population which still cling to the Utopian notions of Roosevelt and his followers. This is essentially a task for the Eisenhower Administration and the Republican party, and for those enlightened and disgusted elements in the Democratic party which are sick and tired of what the Roosevelts and the Trumans have done to their party.

A Task for the Administration

If the design of President Eisenhower is to have a program formulated such that he can undertake to lead his party to accept it or the larger part of it—and one incidentally which the so-called conservatives of the Democratic party could be persuaded to support—one must applaud the effort and wish it the utmost success. Neither the President nor any of the others must for a moment, however, overlook the fact that the task of seeking and gaining followers for such a plan must be the work of the statesmen of the country—in this instance the President of the United States and those immediately around him, along with influential men in both houses of Congress. It is precisely here that Republicans at both ends of Pennsylvania Avenue have been most inclined to wince and relent and refrain. They have, so it has often seemed to us, been rather more reluctant to proceed with vigor in this area than some of the abler and more constructively minded Democrats such, for example, as Senator Byrd.

Let us not deceive ourselves. We still have a Veterans Administration which is spending billions of dollars in getting and holding the good will of veterans who must know that by no stretch of the imagination does their country owe them this kind of special treatment. We still are pouring billions abroad in many kinds of extremely dubious undertakings. We still are subsidizing the farmer to the

tune of billions of dollars. We still have such outrageously meddling organizations as the Securities and Exchange Commission costing billions of dollars if the indirect effects of its operations as well as its direct activities are included. We still have an outrageously extravagant compulsory social security system in operation. And so the list might be extended almost indefinitely.

We must confess to considerable doubt whether any such Commission as that set up now under the direction of ex-President Hoover can really cope with the problem of getting rid of these octopuses. They would, however, do a great service in getting us started in that direction.

Continued from page 14

Can We Get America to Live One-Third Better?

distribution thinking and develop distribution analogies to the concept of efficiency in production. What we are looking for is increased distribution productivity, whereby the dollar effort does a more efficient job as measured in reduced unit distribution cost. This will end up in more goods and services being sold at lower unit prices. This has been our long-run road to success in mass production, mass distribution, and mass consumption.

Distribution and advertising are thus on the threshold of their greatest challenge—to understand and execute their economic responsibilities in conformity with the high production, investment and consumption targets attainable by our economy. This is a necessity if we are to assure the necessary sales needed for full utilization of our resources. This country is now in the period in which opportunities for the exercise of advertising and salesmanship are perhaps greater than at any previous time. One reason for this is the need to satisfy 28 million more people in 1960 than in 1950, as compared with a population increase of 19 million between 1940 and 1950. Another reason is the vastly increased role of the United States in the world today, and the importance of our demonstration of a dynamic economy devoted to the pursuits of peace under conditions of free and competitive private enterprise.

It can be stated that qualified merchandisers, salesmen, advertising men, research and sales executives are among the most needed "commodities" in the United States today—and in the world today. Never before have there been such opportunities for those who are qualified to enter this profession — now considered by many as comparable to medicine, banking, engineering or law. The possibilities and opportunities are unlimited, as I am sure you agree.

The ironic and inconsistent part of this entire situation is that while our productive capacity in units has apparently been increased in excess of 100% in the last decade, our sales power in numbers of salesmen has only been increased between 25% and 30% in the same period. We cannot temporize or minimize this vital responsibility of all of us in salesmanagement, to stimulate and effect substantial increases in the efficient distribution of more products to the many old and new markets in our expanding economy.

While great strides have been made to improve the sales productivity of sales personnel, including wholesale and retail salespeople, much remains to be done in the stimulation and motivation of many sales people to improve their selling "know how" in keeping with the standards of advancing selling techniques, including intelligent tie-in with the advertising and other merchandising programs of their firms.

Increased Income Through Increased Investment

Now the third prong of our three-pronged challenge has to do with the matter of increased incomes with which to provide for increased investment, production and distribution. A maximum use of the labor force potential is one of our economic frontiers. This is not only in the role of people as producers and consumers, but in their role of income earners. To meet the production and distribution goals, earnings must grow apace. Upgrading of individual earning power, related as it is to a large degree to improved technology—newer, better, more productive machines—bears most importantly in achieving its goal. Better technical skills, improved technology, reduced work stoppage, whether by better labor-management relations, improved health or other factors—these are the cornerstones upon which to build steady gains in **real** wages, in individual earning power.

The possibilities of private industrial use of atomic products and processes, the new chemical and the new electronics developments, create new opportunities for profitable employment and investment and therefore personal incomes which did not exist before. Doubtless, they also create the need for continuing adjustment, but this is always a sign of healthy growth when it can proceed without violent changes in the course of the economy. Over these 60 years we have seen instance after instance of a new machine or process apparently eliminating jobs, only to create many more jobs than theretofore had existed. It is tough on the person who loses his job. To make him able to take a better job is one of the responsibilities we must face. But the drive must go on for the continued reduction of unskilled and low-skilled operations in factories, mines, offices, even in government, through the use of machines and systems for such tasks. For then the machines must be built, must be sold, must be serviced, must be operated — all higher operations than the unskilled jobs supplanted. With the implication of increased unit productivity, greater earning power is inherent in the new jobs.

The upgrading of earning power will be greatly advanced by training and education of our people so that each hour of a person's effort is able to produce more because of the processes or skills and abilities as well as because of the improved machines and the increased power which are put at their disposal. But to get down to the root fact of the matter, the way we bring about this improvement is by the training and education which allow all workers, by virtue of their skills and abilities, to share fully in the higher productivity of advanced American production methods. It is difficult to see how the man with the hoe can greatly increase his output per man-hour until he has the skills and education which would enable him to run a tractor. One of the processes to assure the rising trend of productivity is the increasing proportion of our incomes spent for education. Companion to greater education for young men and women to prepare for a life work, is adult education, vocational, managerial and cultural, which can lead to better jobs with their greater earnings power. For as we use these resources to improve our own abilities, we find that we have generated an asset which itself becomes one of the sources of rising production and rising standards of living for the Nation.

While education may be considered by some as an end in itself, it is not that aspect to which I address your attention. Rather, it aims toward technological improvements, improved technical skills, improved managerial capacities at different levels of responsibilities.

It looks to healthier people, capable of healthier relations, whether these be as between employees and employers or as between merchandisers and consumers.

It looks to the greater enjoyment of the fruits of the American economy made possible by the upgrading of earning power, increased drive for productivity, increased efficiency in distribution. All of this then is to realize the ever increasing American potential through the incentives of private capital and free enterprise.

Joins Witter Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Martin H. Brix is now with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Brix was previously with Schwabacher & Co. and the Anglo-California National Bank.

First California Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—James M. Anderson has been added to the staff of First California Company, Incorporated, 647 South Spring Street.

Fleg With Walston

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Julian F. Fleg has become associated with Walston & Co., 550 South Spring Street. He was formerly with Hexter & Co., A. W. Morris & Co. and Daniel Reeves & Co.

R. L. Day Co. Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Robert L. Day has joined the staff of R. L. Day & Co., 111 Devonshire Street, members of the New York and Boston Stock Exchanges.

Brown, Barton & Engel

CEDAR GROVE, N. J.—Brown, Barton & Engel has been formed with offices at 55 Westland Road to engage in a securities business.

Wall St. Secs. Co.

Wall Street Securities Co. is engaging in a securities business from offices at 44 Wall Street, New York City. Robert H. Brennen is a principal of the firm.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The Chase National Bank of New York has announced five new appointments and promotions on its official staff. Advanced to Second Vice-President were Kennedy Buell, William C. Clark and Harry S. Craver, previously Assistant Cashiers. Mr. Buell and Mr. Craver are in the bank's public utilities department, Mr. Clark in the bond department. Ward K. Moore and Louis B. Roth, also of the bond department, were appointed Assistant Cashiers.

* * *

The appointment of Hugh F. Coyle as an Assistant Trust Officer of **The Public National Bank and Trust Company of New York** was announced on July 24 by E. Chester Gersten, President.

* * *

The First National Bank of Inwood, (Nassau County) New York, now has a capital of $350,000, the amount having been increased from $250,000; part of the increase—$50,000—resulted from a stock dividend while the further addition of $50,000, came from the sale of new stock. The increased capital became effective June 23.

* * *

A stock dividend of $10,000 has served to increase the capital of the **First National Bank of Glen Head (Nassau County), N. Y.,** on July 13 from $170,000 to $180,000.

* * *

An increase in the capital of the **First National Bank of Mt. Vernon, N. Y.,** is announced, a stock dividend of $250,000 having brought about the increase, as a result of which the capital was raised, as of July 20, from $500,000 to $750,000.

* * *

As of July 1 the **Rutherford National Bank of Rutherford, N. J.** increased its capital from $500,000 to $750,000 by a stock dividend of $250,000. Earlier this year the Rutherford National obsorbed the **North Arlington National Bank of North Arlington, N. J.,** an item reporting this having appeared in our issue of April 2, page 1446.

* * *

Plans for a merger of the **First National Bank of Conshohocken, Pa.,** with the **Philadelphia National Bank of Philadelphia** were approved by the stockholders of both banks on July 21. In its issue of July 22 the Philadelphia "Inquirer" said:

"Frederic A. Potts, President of Philadelphia National and Donald P. Horsey, President of First National Bank of Conshohocken, said that under the merger plan shareholders of Conshohocken will receive one share of Philadelphia National for each share of Conshohocken held. Philadelphia National shareholders will retain their present certificates.

"The merger is subject to approval of shareholders of both banks and of the Comptroller of the Currency. If the merger is approved, Mr. Potts said, the entire staff of First National of Conshohocken will continue at their present posts in the enlarged bank and Mr. Horsey will be elected Vice-President of Philadelphia National in charge of the Conshohocken office."

* * *

In its July 24 issue, the Philadelphia "Inquirer" reports that the directors of the **Central-Penn National Bank of Philadelphia** have approved plans to increase the bank's capital stock from $3,758,750 to $5,000,000 through sale of additional shares to stockholders at $30 a share on basis of 1-for-3. The plan is subject to approval by stockholders and the Comptroller of the Currency.

* * *

William A. Thatcher, a director of more than twenty-five years of the **Swarthmore National Bank & Trust Co. of Philadelphia,** died on July 18. He was 74 years of age. He was formerly an executive of the Standard-Coosa-Thatcher Co. of Chattanooga, yarn manufacturers, according to the Philadelphia "Inquirer."

* * *

The capital of the **Upper Darby National Bank, of Upper Darby, Pa.,** has been enlarged from $875,000 to $937,500, the increase, as of June 30, having been brought about by a stock dividend of $62,500.

* * *

Frederick Deane, Jr., of Arlington, Va., has been named Assistant to the President of **The Bank of Virginia,** according to an announcement on July 27 by Thomas C. Boushall, President. Mr. Deane will begin the new assignment at the bank's 8th and Main Streets office in Richmond on Aug. 3. A native of Boston, Mass., the new assistant attended Harvard and majored in economics. In 1951 he was awarded a Master's degree "with distinction" from Harvard Graduate School of Business Administration, where he had been accepted at the end of his junior year.

* * *

Barron F. Black, of the Norfolk, Va. law firm of Vandeventer, Black & Meredith, has been elected a member of the general Board of Directors of **The Bank of Virginia, at Richmond, Va.,** according to an announcement July 10 by Thomas C. Boushall, President of the bank. Mr. Black also has been named Chairman of the bank's Advisory Board in Norfolk and will serve as its counsel. Mr. Black is a member and former President of Norfolk and Portsmouth Bar Association, a member of Virginia Bar Association, American Bar and Maritime Law Association of the United States, and he is active as well in various other organizations.

* * *

The $1,000,000 capital of the **Liberty National Bank of Chicago,** increased from $600,000, became effective June 23. Details of the plans to enlarge the capital appeared in our issue of May 21, page 2226.

* * *

With an addition to its capital of $100,000 by a stock dividend, the **Commercial National Bank in Muskogee, Okla.,** increased the amount of its capital on June 30 from $400,000 to $500,000.

* * *

As of June 19 the **First National Bank & Trust Co., in Asheville, N. C.,** reported an increase of $100,000 in its capital by the sale of new stock, bringing the amount of the capital up to $300,000 from the previous amount of $200,000.

* * *

A stock dividend of $25,000, and the sale of new stock also to the amount of $25,000, has brought about an increase in the capital of the **First National Bank of Paducah, Texas,** from $100,000 to $150,000, the latter amount having become effective June 25.

* * *

The First National Bank at Lubbock, Texas reports as of June 29 a capital of $1,500,000, the amount having been increased from $1,000,000—part of the addition ($300,000) having resulted from a stock dividend, while the sale of new stock provided $200,000 additional.

* * *

The new $8,000,000 capital of the **Crocker First National Bank of San Francisco, Cal.,** increased from $6,000,000 by a stock dividend of $2,000,000, became effective July 3. Details of the plans to enlarge the capital were given in our issue of July 2, page 24.

Now E. M. Saunders, Ltd.

TORONTO, Canada—E. M. Saunders announced that the investment business formerly known as Saunders, King Limited will henceforth be conducted under the name of E. M. Saunders Limited, with offices in the Metropolitan Building.

Mutual Funds

By ROBERT R. RICH

EDWARD P. RUBIN, President of Selected American Shares, in the semi-annual report to shareholders says:

"The first six months of 1953 were a period of conflicting economic trends.

"Bond prices continued the downward move which has been irregularly in progress since 1946. Commodity prices declined further in a trend which is now more than two years old. Stock prices, after making new highs for some years in early January, have subsequently followed a moderate but persistent downward course.

"On the other hand, the monetary value of all the goods and services produced in the nation reached a new all-time high in the last six months. The FRB index of industrial production averaged about 240% of 1935-39 average . . . a new high for any period except that of World War II. Corporate profits after taxes were probably a little above the first half of 1952, and the same was true of dividends.

". . . there are many people who are cautious, many who have misgivings with respect to the adjustments which may be necessary for a short period ahead. . . .

"Such adjustments as are to come can be faced with basic confidence in the future.

"Stocks sell today at moderate ratios to the probable book value of the properties they represent. By historical standards, stock prices seem comparatively low in relation to earnings. Dividends afford liberal yields, and . . . are well covered in most instances by present earnings after taxes. . . .

"Thus, while the management of Selected American Shares participates to some degree in the near term caution, it is very confident that the stocks in the portfolio represent sound values which time will demonstrate . . . the management . . . believes that common stocks of leading American industries still provide excellent investment attraction."

MASSACHUSETTS INVESTORS Trust, the nation's oldest and largest open-end investment company, in its quarterly report for the three months ended June 30, 1953, calls particular attention of shareholders to the present diversification pattern of the Trust. Almost 40% of the stocks in portfolio can be said to have better than average long-term trend in growth of earnings, the report states. About 35% are in industries returning a higher than average income rate and with good appreciation possibilities but are more subject to business cycle fluctuations. The balance, or about 25%, according to the report, are believed to have better than average income stability as investments in companies whose earnings should hold up relatively well even under less favorable business conditions.

Total net assets of the Trust for the quarter ended June 30 were $483,406,247, compared with $474,449,498 at the same time last year. Net asset value per share was $18.60. On June 30, the Trust had 107,375 shareholders and 25,993,533 shares outstanding. These are new high points in the Trust's history and represent gains of 14,789 in shareholders and 2,080,817 in shares over a year ago.

Net sales of shares for the first six months of 1953 were the largest for any first half-year period in the history of the company, the Trust reported. Redemptions of shares for the same period were at a lower than normal level, based on the average percentage of redemptions for the past five years.

The quarterly report also emphasized the fact that through investment in their shares, Massachusetts Investors Trust and other seasoned open-end investment companies are able to provide investors with experienced professional management at reasonable cost and at less risk than most investors would encounter if they attempted wholly to manage their own investments. "Few investors," the report says, "have the time, the means, the sources of information or the investment acumen necessary to do this work successfully. A limited few do have the time, the means and other essential resources or can afford to retain specialized investment counsel. However, even among this relatively small class of investors, many have found that the shares of well-managed investment companies are good investments for some portion of their capital."

The report also notes that for the quarter covered purchases of stocks by the Trust were almost three times greater than sales of stocks. Portfolio changes for the three months ended June 30, 1953, were as follows:

PURCHASES

Company—	Bought
Allied Chemical & Dye	100
Aluminium Ltd.	8,000
Central & South West'n. Corp.	15,000
Champion Paper & Fibre	3,600
Comm. Edison Co.	3,100
Crown Zellerbach Co.	14,788
Deere & Company	6,100
duPont (E. I.) deNem.	8,400
Eastman Kodak Co.	3,850
Food Mach. & Chem.	2,900
General Motors Corp.	8,500
General Public Utility	11,000
Industrial Rayon Corp.	13,900
Kroger Company	3,200
Libbey-Owens-Ford Glass	5,000
May Dept. Stores	20,000
Mid-Continent Pet. Co.	5,000
Middle So. Utilities	21,000
Minnesota Mng. & Mfg.	17,700
New Jersey Zinc	8,000
No. American Aviation	16,900
Northern Natural Gas	8,452
Ohio Oil Company	5,500
Rochester Gas & Electric	5,000
Seaboard Airline RR.	8,500
Shell Oil Company	700
Southern Co.	15,000
United Aircraft Corp.	5,000
United Shoe Machinery	17,400
General Motors Accept. Notes	$9,560,000

SALES

Company—	Sold
Chrysler Corp.	5,000
Con. Ill. Nat. Bk. Tr., Chi.	500
Consumers Power Company	1,100
Guaranty Trust, N. Y.	7,500
Montgomery Ward & Co.	20,000
Nat. Shawmut, Boston	800
Owens-Illinois Glass Co.	5,800
Pittsburgh Plate Glass Co.	2,000
Public Serv. El. & Gas	3,900
Rayonier, Inc.	23,000
General Motors Accept. Notes	$7,970,000

A $6,300,000 GAIN in assets was recorded by Wellington Fund in the first six months of 1953. The increase boosted total net assets on June 30, last, to $252,483,390 from $246,183,017 at the close of 1952, according to the Fund's semi-annual report transmitted to shareholders this week.

The report noted that the Fund had added some 12,000 shareholders in the half-year to bring the total number to an all-time high of 108,000.

The Fund closed the semi-annual period with 62% of net assets in common stocks as compared with 64% at the beginning of the year. Of the remainder, 24% was invested in high grade bonds and preferreds; 3% in bonds and preferreds selected for appreciation; and 11% in cash and governments. A total of 30 industries was represented in the portfolio made up of 321 different securities.

Net asset value on June 30, 1953, was equivalent to $19.58 per share on 12,897,173 shares outstanding. This compares with $20.87 a share on the 11,794,699 shares outstanding on Dec. 31, last.

The report gave this summary of the shifts in common stock holdings during the six months: The principal increases were in the telephone, tobacco and electric utility stocks. The principal reductions were in the more volatile and cyclical issues, including airline, aircraft manufacturing, automobile and auto parts, cement, paper, railroad equipment, and steel shares.

Of business generally the report said in part: "We seem to be in a transition period to a freer economy with less government control and more dependence on the forces of supply and demand. We may expect a return to more normal conditions with nearly all consumer goods now in ample supply and competition for business keen.

THE NUMBER of shareholders of the four investment trusts in the United Funds group has increased from 8,089 to 52,500 in the last five years, Cameron K. Reed, President, announced today.

In a meeting with regional and divisional managers, Mr. Reed said the four funds have made "exceptional strides and have had their proportionate share of the growing acceptance of mutual funds as an investment medium."

At the present time the four funds have outstanding 10,172,123 shares, consisting of 5,547,361 of United Income Fund; 1,398,424 of United Accumulative fund; 2,506,761 of United Science fund, and 719,577 of United Continental fund.

The greatest number of shares issued was in the 12-month period ended June 30, 1953, when the outstanding rose from 7,793,132 to 10,172,123 shares.

Total assets of the four funds June 30 was slightly in excess of $99 million.

CANADA GENERAL FUND, in its first annual report to shareholders, expects that as a result of tax rulings recently received, in the near future dividends and interest from its holdings in Canadian companies will no longer be subject to the 15% Canadian withholding tax.

Henry T. Vance, President, says: "In accordance with these new rulings, the Fund will still be required to withhold from shareholders 15% of dividends declared from net investment income. However, in the opinion of our counsel, any amount so withheld may be used by United States shareholders as a credit against Federal income taxes within the limitations of Sections 119 and 131 of the Internal Revenue Code.

"This will mean that, for the first time, an American company can offer a managed portfolio of Canadian securities which can be purchased on the same tax basis as individual Canadian securities."

Canada General Fund for the year ended June 30, 1953, reports total net assets of $18,456,416 with 2,140,809 shares outstanding, a net asset value of $8.62 per share. As of June 30, the Fund had 15,395 shareholders.

The report states that while June 30 marks the fiscal year-end, no Canadian securities were bought for the Fund until late July, 1952. Dividends from the net earnings of the Fund for this fiscal year totalled 19 cents a share, including the dividend for the final quarter of six cents a share, declared July 7, 1953.

At the June 30 year-end, the major part of investment portfolio of Canada General Fund was classified as follows, in terms of percentage of total assets: oil, 18%; forest products, 12%; mining, 12%; stores, 10%; finance, 10%; pipe lines, 5%; railroads, 4%; chemicals, 4%; steels, 3%; automotive, 3%, and utilities, 3%.

DELAWARE FUND closed the first half of this year with more shareholders and more shares outstanding than at any time in its 15-year history, according to its semi-annual report made public this week.

W. Linton Nelson, President, reported that the Fund now has 6% more shareholders and 8% more shares outstanding than at the year-end.

A 9% increase in assets was recorded by the Fund in the 12 months ended June 30, 1953. The increase brought total net assets on that date to $14,984,542, equal to $15.84 a share on the 945,259 shares outstanding. This compares with $13,653,174 on June 30, 1952, equal to $16.90 a share on the 807,828 shares then outstanding; and with $15,135,481 on Dec. 31, 1952, equal to $17.14 a share on the 882,764 shares then outstanding.

The report showed investments diversified among 82 different securities with 89.79% of net assets in common stocks; 9.19% in convertible and other preferreds; and the remainder in cash.

Among the industry groups represented in the common stock holdings, the largest—in railroads—amounted to 10.82% of net assets. Other of the larger groups included electric utilities, 10.73%; oils, 7.69%; electrical equipment, 8.24%; building, 6.61%; food, 4.71%; beverage, 4.69%; and automobile, 4.03%.

THE MINNESOTA Fund Annual Report covering the last fiscal year was sent yesterday to shareholders residing in more than 20 states. The report shows that the Fund's assets have increased to over $1,200,000.

Payment of the 16th consecutive quarterly dividend marks the beginning of the Fund's fifth year of operation.

Total dividends for the last fiscal year amounted to 36c a share from investment income and 34c a share long-term capital gains.

The percentage of assets invested in leading upper midwest companies is larger in Minnesota Fund than for any other mutual

fund, according to Albert M. Sheldon, Jr., President of the Fund. However, he emphasized that, to reduce risk, the majority of the Fund's assets are invested in a diversified list of leading corporations located throughout the country.

At the fiscal year-end May 31, 47% of the Fund's assets were invested in preferred stocks, 42% in common stocks, and the balance in cash. This compares with a 72% common stock position a year ago. Utility preferred and common stocks are currently the group most favored by the Fund.

Minneapolis Associates, Inc., the manager of the Fund, and E. W. Axe & Co., Inc., the investment counsel, both appear to be optimistic in regard to future economic conditions. The report to shareholders states, "There is still an enormous amount of potential credit expansion in the banking system, and the present level of money rates, even though appreciably higher than in recent years, is low in comparison to anything prior to 1931. Neither the rise in long- and short-term rates nor a contraction in the supply of credit that has occurred, is sufficient in itself to precipitate a major business decline.

"The present strong position of two such key industries as construction and automobiles suggests that favorable business conditions are likely to continue for some little time."

DOLLAR COST averaging with a less volatile fund has its attractions for many investors, says the July "Shop Talk," a dealer publication of Distributors Group, which believes its Fully Administered Fund fits both the conservative beginner and the satisfied completer of a periodic investment plan.

"A good proportion of the systematic 'budgeting' kind of people tend to be highly conservative in their selection of investments," "Shop Talk" states. "They may be alarmed rather than attracted by the prospect of wide price swings, and prefer the conservative Fully Administered Fund. Don't press speed on the man who wants to drive carefully.

"And when any periodic planner achieves his goal or retires, a conservative position becomes more important to him than an aggressive one."

THE SPONSORS of Television-Electronics Fund, in their June bulletin, "Keeping Up," call attention to the number of stock dividends and splits during the past seven months among the securities in the Fund's portfolio.

Companies represented in the portfolio which have taken such action include, according to the bulletin, Telecomputing Corp.; International Business Machines Corp.; Sprague Electric Company; Eastman Kodak Company; Mallory (P. R.) & Co., Inc.; General Controls Company; Weston Electrical Instrument Corp.; Clevite Corp.; Clark Controller Company; and Hammond Instrument Company.

The bulletin then makes this comment: "A growth industry or growth company may be defined as one in which the increment factor is larger than that for the economy as a whole. Bringing this down to individual companies, the definition is modified as follows: A growth company is one in which the increase in net income has an increment factor, over the long-term, larger than that of a group of companies representative of the industry as a whole. The outward expression of a growth company over the longer term is while cash dividends tend to be increased moderately, particular stress is given to plowing back earnings into expansion of working capital and plant which is re-

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Mutual Funds—America's Fastest Growing Business

were nothing more than a dumping pool for their own unsalable underwritings. By the end of 1929 there were over $7 billion of assets in investment companies with about 675 active companies. The years from the stock market break in November, 1929, to mid-1932 were trying times for such American investment trusts. Many trusts failed and the shrinkage in the value of their assets was even more pronounced than their growth in the preceding boom.

The Modern Mutual Investment Fund

Out of the crucible of chaos following the market crash of 1929, the abuses of investors confidence in the early American types of trust, and the resulting corrective legislation, was forged the new American version of the mutual investment fund. This investment vehicle — the open-end mutual investment fund—is a far cry from the trusts of the roaring '20's. Then the managements of many so-called investment companies were more concerned with their own personal affluence than with the well-being of shareholders and the security of investment company assets. Now, the investor may possibly lose money in mutual investment fund shares through a drop in security prices but he is very unlikely to lose because of dishonesty of management.

The open-end feature of constantly available new shares coupled with a redemption feature is thus the American concept of the basic original idea of pooling money to secure the benefits of broad diversification to spread inherent investment risk.

Adequate Regulation

Open-end mutual investment funds must register with the Securities and Exchange Commission and are also subject to State laws and regulations. The purpose of the Federal and State regulations is to protect the interest of the shareholders and to eliminate the abuses in investment company operations in evidence during the 1920's. Such Federal and State regulation, however, does not involve supervision of management or investment practices or policies.

The mutual fund industry "came of age" with the passage in 1940 of the Investment Company Act. This Act was passed after several years of study and investigation by Congress. The passage of this Act, which provided for continuous supervision of the industry by the SEC, has caused mutual funds to prosper and expand in much the same way as the Congressional investigations and corrective legislation early in the century caused the turning point of the life insurance industry, which now has become one of the financial bulwarks of the nation.

Federal regulation has done much to provide a high level of integrity in the operation of mutual funds and has resulted in an ever increasing public confidence and acceptance of this investment medium. This regulation actually has been welcomed by the managements of mutual investment funds. The basic idea is sound and the costs appear reasonable in view of services rendered. Accordingly, the industry can thrive and prosper with the full disclosure of all material facts as required by the regulations.

Many Types of Funds

The mutual fund, unfortunately, is not a panacea for all investment evils. No one mutual fund will fit all needs—just as no one golf club will be suitable for all shots on a golf course. There are many types of funds and it is important that the investor select one or a combination that will most nearly coincide with his objectives.

There are conservative balanced funds consisting of high-grade bonds, preferred stocks and common stocks which are intended to safeguard capital. There are also balanced funds with medium quality securities to provide a somewhat higher income return than is available from high-grade securities.

For investors who may require a maximum income return—and who are in a position to accept the incumbent risk attached — there are funds composed of a broad list of dividend-paying common stocks.

Investors with adequate commitments in either stocks or real estate, may desire a conservative backlog to balance their account. For them there are mutual investment funds which invest exclusively in bonds.

Other mutual funds invest only in preferred stocks. Some funds have as their investment objective maximum volatility or appreciation in rising markets (with, of course, a concomitant risk of faster than average depreciation in declining markets). Others hold so-called "growth" stocks. Others are known as "Class" funds which invest, for example, in steel shares, oil shares, or other industrial groups.

Whatever an investor's objective may be—whether it is . . . emphasis on current income . . . emphasis on minimizing fluctuation in capital value . . . appreciation in rising markets . . . low priced stocks for maximum volatility . . . partial hedge against inflation . . . or any other investment goal—the investor is likely to find one or more mutual investment funds with similar objectives. There is risk of course in the ownership of any market securities, so there can be no assurance that these objectives will be achieved. However, it is reasonable to assume that professional investment managers with their experience and facilities for gathering financial data are more likely to achieve an investment objective than the average investor.

Legality As Trust Investments

There are long range implications in the fact that mutual investment fund shares are legal for trust accounts in some states. New Hampshire regulations permit investment by savings banks in certain mutual investment funds. Thirteen states permit trustees to purchase mutual investment company shares for trust accounts—some by amendment to the "Prudent Man Rule," and some by court action, statute or judicial opinion. These states are: Colorado, New Hampshire, Oklahoma, Kansas, New Jersey, South Carolina, Maine, New Mexico, Tennessee, Massachusetts, North Dakota, Washington, Wisconsin and Pennsylvania.

Twenty-one other states have adopted "Prudent Man" rules without specific mention of mutual investment funds. Some trustees have purchased mutual fund shares under such rules and have been upheld by the courts.

Cost of Acquiring Mutual Funds

An initial purchase of mutual investment fund shares is made at the public offering price which includes a sales charge, like the cost of everything that we buy. There are usually no further commissions or sales charges and an investment in fund shares may be normally liquidated without commission or fee. This initial sales charge may vary from ½ of 1% to 9%, depending on the fund selected and the amount invested, and is set forth in the Prospectus of the fund. A few funds offer their shares at net asset value. A purchase of a few hundred or a few thousand dollars will include the maximum sales charge. In case of a purchase of $100,000 or more the sales charge may be only about 2%. A purchase of $1 million or more may involve only a sales charge of one half of one percent.

This sales charge should be treated by the investor as a capital expense and spread or amortized over the entire life of the investment—much like spreading the premium on fire insurance over the entire period of coverage instead of charging it off against the first year. The sales charge may be compared to the initiation fee that one would pay to join a lodge or country club—it should be amortized over the entire period that one retains membership.

Whether the sales charge or fee seems high or low depends entirely on results. It is quite possible that the results of professional management may prove superior to results obtained by "amateur" management of investments—and in such cases, the sales charge in itself may prove to be a "good investment."

Reasons for the Growth of Mutual Investment Funds

Mutual Investment funds have grown because the basic idea of pooling money to obtain professional investment management is sound.

Mutual funds have filled investors' needs which are so well described by the late Justice Brandeis in the following quotation from his book "Other People's Money." In this quotation, Justice Brandies was not talking about mutual funds, although the theory he espoused is that which is followed by investment company managers.

> ". . . The number of securities upon the market is very large. For a small investor to make an intelligent selection from these—indeed, to pass an intelligent judgment upon a single one—is ordinarily impossible. He lacks the ability, the facilities, the training and the time essential to a proper investigation. Unless his purchase is to be little better than a gamble, he needs the advice of an expert, who, combining special knowledge with judgment, has the facilities and incentive to make a thorough investigation."
>
> —*Louis D. Brandeis, Late Associate Justice Supreme Court of the United States.*

The backbone of the growth of mutual funds has been the small investor—with as little as $500 and propably not more than $10,-000. The marked trend in recent years toward redistribution of national income in favor of the lower income groups has enabled many to accumulate surplus funds for investments despite higher living costs.

Medium-sized investors with $20,000 to $50,000 have also been attracted to mutual funds. Many would think that this amount of capital would be sufficient for an investor to diversify his own securities and to obtain suitable research information and investment supervision from investment firms. The fact is that the potential commissions to an investment firm on an account of this size are not sufficient to justify *constant* supervision. A mutual fund, however—by combining this amount with funds of many others—is able to provide *constant professional investment management* as well as other features and, accordingly, is attracting many in this group of investors.

Mutual investment funds also have attracted substantial investors and many single investments of a million dollars or more have been made by individuals, institutions and endowments. Harvard University, with perhaps the largest endowment fund in the world (over $200 million), after operating the account themselves for many years, in 1948 turned over the managemnet of its account to the investment management of a mutual investment company—a practical evidence of confidence in professional investment management. This does not mean, however, that all investment companies have been so honored.

What of the Future?

There are many indications that the relatively new mutual fund industry is on the threshold of even greater growth.

A recent nationwide survey by the New York Stock Exchange showed that only about one in every ten of the some 63 million employed adults in this country now owns corporation securities, including mutual funds. Three of every ten employed adults, the survey showed, are not shareholders principally because they are unfamiliar with the nature of investment in corporate shares and had never considered such investments. Many had no definite reasons for not owning corporate shares. Yet a large number of these Americans enjoy more income and have larger savings than ever before. Inevitably, many of these will become mutual fund shareholders through the educational efforts and salesmanship of investment dealers.

The potentiality of the market can be further visualized from the fact that liquid savings of individuals in the U. S. (currency, demand deposits, time deposits, savings and loan shares and U. S. Government securities) reached $186 billion at the 1951 year-end—an increase of over $6 billion over the year earlier figure. Some economists are predicting $200 billion by the end of 1952. Some of these monies will seek placement in the investment market and many will prefer the "mutual" way of investing.

Inflation will continue to exert pressure on the American family. With the traditional havens for money not returning sufficient income to offset rising living costs and taxes, more and more inflation-conscious investors will seek a reasonable return and opportunity for some appreciation in rising markets. Many will choose mutual funds for this purpose.

Another dynamic prospect for mutual fund investment is the pension fund, now growing, in the aggregate, at a rate of about one-half billion dollars a year.

In brief, the prospects add up to a bright future for the mutual fund industry.

The open-end mutual investment fund is but another example of typical American ingenuity. A century old idea of spreading investment risk was adopted—modified with the open-end idea to make the plan more flexible—and now it is an important segment of the American financial picture.

America has become the greatest nation on earth because our system of free enterprise provides the incentive to put ourselves and our money to work. Mutual investment funds provide a convenient and practical method for anyone to put surplus funds to work and thus to gain an active interest in our free enterprise system — the American Way of Life.

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The State of Trade and Industry

against 137,186 the week before, comparing with 29,882 in the like 1952 week, when the steel strike crippled production.

Steel Output Scheduled To Hold at a High Rate This Week

Persistently strong demand for steel products in most categories is giving impetus to a rising wave of cautious optimism as to last quarter prospects, says "Steel," the weekly magazine of metalworking, the current week.

Considering seasonal influences in the market currently, midsummer may not be the best vantage point for appraising the steel outlook. But from the way the mills are booking fourth quarter delivery orders there appears little reason to anticipate much, if any, letdown in high-level activity over remainder of the year, it notes.

Forward tonnage is not being snapped up quite as quickly as on some previous quarterly openings of order books. Still, consumer interest exceeds expectations. As a result, states this trade paper, many who had been predicting a noticeable recession in consumption toward the fag end of the year are now revising demand estimates upward. Actually, insofar as hot- and cold-rolled sheets, large size bars, plates and most sizes of structurals are concerned, pressure on the mills appears about as strong as ever.

Not only are fourth quarter orders being booked at a surprisingly brisk pace, but market confidence is supported by the fact numerous consumers, dissatisfied with their allotments, are pressing for more tonnage.

Despite the growing optimism in steel circles, it doesn't necessarily follow all reservations for last quarter are being thrown aside. Far from it. Consumers certainly are displaying more caution placing orders, shying away from fourth quarter commitments for conversion and premium-price steel, though some still are dependent on warehouses and importers for tonnage to round out current requirements. Generally, the belief prevails that supply-demand balance is not too distant in many products, and that procurement of items in continued tight supply will ease progressively as the weeks pass, "Steel" observes.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 96.7% of capacity for the week beginning July 27, 1953, equivalent to 2,180,000 tons of ingots and steel for castings as against 94.4% (revised), or 2,128,000 tons a week ago. For the like week a month ago the rate was 91.8% and production 2,069,000 tons. A year ago the weekly production was placed at 891,000 tons and the operating rate was 42.9% of capacity, due to a general steel strike.

Car Loadings Show Further Gains

Loadings of revenue freight for the week ended July 18, 1953, increased 69,960 cars, or 9.7% above the preceding week when the coal miners' annual vacation was in effect only one day that week, according to the Association of American Railroads.

Loadings totaled 791,414 cars, an increase of 182,414 cars or 30% above the corresponding 1952 week when loadings were affected by the steel industry strike but a decrease of 13,964 cars or 1.7% below the corresponding 1951 week.

Electric Output Sets New All-Time High Record

The amount of electric energy disributed by the electric light and power industry for the week ended Saturday, July 25, 1953, was estimated at 8,460,427,000 kwh., according to the Edison Electric Institute.

This represented a new all-time high record and an increase of 251,224,000 kwh. above the previous week. The preceding high point was registered on June 27, 1953 when output totaled 8,446,-193,000 kwh.

The current total was a gain of 1,132,196,000 kwh. or 15.4% over the comparable 1952 week and an increase of 1,455,166,000 kwh. over the like week of 1951.

U. S. Auto Output Expected to Reach 32-Month High in July

Automotive output last week advanced above the previous week, states "Ward's Automotive Reports."

The industry turned out 137,876 cars last week, compared with 137,186 in the previous week. A year ago, because of the steel strike, the weekly production was only 29,882 cars.

United States truck production last week totaled 26,396 compared with 26,769 the previous week. A year ago truck output was only 6,450 units.

Canadian companies made 8,917 cars last week, compared with 9,022 in the previous week and 4,988 cars in the like 1952 week. Truck production amounted to 2,407 units last week, against 2,578 the week before and 1,255 in the year earlier period.

Business Failures Continue Moderate Advance

Commercial and industrial failures increased to 184 in the week ended July 23 from 148 in the preceding week, Dun & Bradstreet, Inc., reported. At the highest level in four weeks, casualties were considerably heavier than a year ago when 137 occurred, and they were even with the 1951 toll of 184. Continuing far below the prewar level, failures were down 37% from the 291 recorded in the similar week of 1939.

Concerns failing with liabilities of $5,000 or more climbed sharply to 161 from 94 in the previous week and 119 last year. A decline, on the other hand, occurred among small failures, those with liabilities under $5,000, which fell to 23 from 54 a week ago and 18 in the comparable week of 1952.

Wholesale Food Price Index Records New High Since Oct. 16, 1951

Following the sharp advances scored in the two preceding weeks, the Dun & Bradstreet wholesale food price index rose slightly from $6.74 on July 14, to $6.75 on July 21, to mark a new high since Oct. 16, 1951 when it stood at $6.77. The current number shows a gain of 2.4% as compared with $6.59 on the like date a year ago.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Establishes New High for 1953

A gradual upward movement over the past few weeks has lifted the Dun & Bradstreet daily wholesale commodity price index to a new peak for the year. The index closed at 284.13 on July 21, as against 281.66 a week earlier, and 289.21 on the corresponding date a year ago.

Movements in leading grain markets were mixed last week. Mill demand for wheat showed considerable improvement, reflecting increased activity in domestic flour business. Both the Minneapolis and Chicago cash wheat markets were strong despite a large movement of red Winter wheat to market.

There were some reports of damage to Spring wheat due to stem rust infestations.

Cash corn markets at Kansas City weakened as the prospect of huge supplies, and subnormal disappearance, in view of smaller hog numbers, tended to lower values. Trading in grain and soybean futures on the Chicago Board of Trade was more active, totaling 597,400,000 bushels for the week. This was equal to a daily average of 59,700,000 bushels, compared with 49,700,000 the previous week, and 43,600,000 a year ago.

Considerable improvement was noted in the domestic flour market, featured by chain baker purchases following several months of extremely cautious buying. Soft wheat flour bookings also showed improvement but interest in other flours was small. Coffee continued strong, aided by broader demand from roasters who had been resisting the recent sharp price rise. Slow demand in the actual market resulted in a slight dip in cocoa values following recent sharp gains. Warehouse stocks of cocoa rose to 186,393 bags, a new high for the year, and compared with 122,-470 a year ago.

Lard registered a further advance, bringing current prices to new high ground since January, 1952.

Light receipts in the Chicago hog market sent values up to their highest levels in four years last week, although a somewhat easier tone developed at the close due to increasing buyer resistance.

Cattle finished sharply higher following most erratic movements during the week. Receipts on Monday of last week were the lighest in a year, while Thursday's were the heaviest since October, 1948.

Spot cotton prices moved in a narrow range and recorded moderate net gains for the week. Helping to support values was the severe drought condition in major growing areas. Forward trading in new crop cotton for delivery in the late Summer and early Fall months showed an increase in volume. Sales in the ten spot markets last week were reported at 87,000 bales, up sharply from 44,500 a week earlier, and 48,000 in the same week a year ago. Domestic mill consumption of cotton during the four-week June period totaled 742,000 bales, according to the United States Census Bureau. This was somewhat below expectations, and represented a daily average of 37,150 bales, against 37,400 in May and 34,800 in June a year ago.

Trade Volume Registered Slightly Higher Trend In Past Week

Stimulated by special promotions of seasonal specialties, consumers were encouraged to increase their spending slightly in the period ended on Wednesday of last week. Clearance sales were somewhat less frequent than a year ago.

Relaxed credit terms continued to be important in the sales of consumer durable goods.

Outlying shopping centers continued to experience larger year-to-year gains in volume than the urban stores.

Retail dollar volume in the week was estimated by Dun & Bradstreet, Inc., at from 1 to 5% above that in the corresponding week of 1952. Regional estimates varied from a year ago by the following percentage New England +1 to +5; Midwest and East 0 to +4; Southwest and South +2 to +6; Northwest and Pacific Coast +3 to +7.

There was a mild increase in consumers' purchases of apparel last week. The unusually large demand for men's clothing, especially lightweight suits, encouraged some retailers to postpone seasonal clearance sales for a few more weeks.

Scattered retailers of children's wear reported that volume in the first three weeks of July exceeded that for the whole month a year ago.

As many buyers prepared for the Fall season, the dollar volume of wholesale trade rose slightly in the week and it continued to be moderately higher than the level of a year ago. Inventories were slightly above the level of a year ago with the larger rises in consumer durables.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended July 18, 1953, rose 2% from the level of the preceding week. In the previous week an increase of 11% was reported from that of the similar week of 1952. For the four weeks ended July 18, 1953, an increase of 4% was recorded. For the period Jan. 1 to July 18, 1953, department stores' sales registered an increase of 5% above 1952.

Retail trade in New York the past week was adversely affected by very heavy rains and, as a consequence, trade observers estimated that the period would reflect little or no change from that of a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended July 18, 1953, registered an increase of 5% from the like period of last year. In the preceding week a like increase of 5% was reported from that of the similar week of 1952, while for the four weeks ended July 18, 1953, an increase of 7% was reported. For the period Jan. 1 to July 18, 1953, no change was registered from that of 1952.

Continued from page 25

Mutual Funds

flected at intervals in the form of stock dividends or stock splits."

PERSONAL PROGRESS

ELECTION OF Ernest Williams as resident Vice-President of Hugh W. Long and Company was announced today. The company is the national sponsor of Fundamental Investors, Diversified Funds and Manhattan Bond Fund, mutual funds with more than $200 million of assets and more than 80,000 shareholders in 48 states. He will represent the Long organization in his home state of Virginia and in five adjacent mid-south states.

Ernest Williams

Mr. Williams, a native of Lynchburg, is Secretary-Treasurer of the Durham & South Carolina Railroad Co. After serving in the U. S. Navy as a lieutenant from 1942 to 1945, he became associated with Scott, Horner and Mason, prominent southern investment firm, as Manager of its mutual funds department. Mr. Williams will make his headquarters at 16 Vista Avenue, Lynchburg, Va.

CLOSED-END REPORTS

THE MID-YEAR reports of United States & Foreign Securities Corporation and its affiliate United States & International Securities Corporation show a combined net asset value of $114,-807,747 as of June 30, 1953 compared with $132,753,674 at the same date last year. These figures are after a deduction of $34,399,-675 representing indicated value of U. S. & Foreign's investment in the affiliate as of June 30 and a similar deduction of $41,549,900 a year ago.

Net assets of U. S. & Foreign alone on June 30 amounted to $90,107,918 and were equivalent to $901.08 per share of first preferred stock outstanding and, after deducting the value in liquidation of the first and second preferred stocks in the total amount of $15,-000,000, to $76.25 per share of common stock outstanding. This compares with net asset value on June 30, 1952 of $106,287,989, equivalent to $1,062.88 per share of first preferred stock and $92.68 per share of common stock.

United States & International's net assets on June 30 were $59,-099,504, equivalent to $295.50 per share of first preferred stock outstanding and, after deducting the value in liquidation of the first and second preferred stocks in the total amount of $35,950,000, to $9.31 per share of common stock outstanding. On June 30, 1952 net asset value was $68,015,585, equivalent to $340.08 per share of first preferred stock and $12.52 per share of common stock.

United States & Foreign owns approximately 99% of the second preferred and 80% of the common stock of U. S. & International.

The reports state that no allowance has been made for Federal capital gain tax on unrealized appreciation as the corporations have elected to be taxed as "regulated" investment companies and under existing law are relieved of that tax on realized investment profits distributed as capital gain dividends.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 2	§96.7	*94.4	91.8	42.9
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 2	§2,180,000	*2,128,000	2,069,000	891,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 18	6,550,600	*6,515,700	6,470,300	6,078,350
Crude runs to stills—daily average (bbls.)	July 18	¶7,088,000	7,267,000	7,063,000	6,819,000
Gasoline output (bbls.)	July 18	24,488,000	25,002,000	23,542,000	23,014,000
Kerosene output (bbls.)	July 18	2,257,000	2,547,000	2,371,000	2,301,000
Distillate fuel oil output (bbls.)	July 18	10,739,000	10,237,000	10,102,000	10,128,000
Residual fuel oil output (bbls.)	July 18	8,778,000	8,965,000	8,701,000	8,779,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 18	143,820,000	144,053,000	149,535,000	117,380,000
Kerosene (bbls.) at	July 18	29,644,000	*28,991,000	26,586,000	25,128,000
Distillate fuel oil (bbls.) at	July 18	94,912,000	90,253,000	82,701,000	77,361,000
Residual fuel oil (bbls.) at	July 18	47,779,000	47,154,000	43,937,000	49,596,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 18	791,414	721,454	812,578	609,000
Revenue freight received from connections (no. of cars)	July 18	621,519	562,345	664,996	521,546
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 23	$253,497,000	$264,210,000	$484,411,000	$278,166,000
Private construction	July 23	140,584,000	148,808,000	272,118,000	130,806,000
Public construction	July 23	112,913,000	115,402,000	212,293,000	147,360,000
State and municipal	July 23	80,540,000	81,009,000	158,928,000	118,133,000
Federal	July 23	32,373,000	34,393,000	53,365,000	29,227,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 18	9,200,000	*6,910,000	9,820,000	6,610,000
Pennsylvania anthracite (tons)	July 18	669,000	590,000	689,000	687,000
Beehive coke (tons)	July 18	93,000	91,500	112,000	18,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 18	84	92	111	82
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 25	8,460,427	8,209,203	8,446,193	7,328,231
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 23	184	148	195	137
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 21	4.634c	4.634c	4.634c	4.131c
Pig iron (per gross ton)	July 21	$56.76	$56.76	$55.26	$52.77
Scrap steel (per gross ton)	July 21	$44.83	$44.83	$42.17	$40.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 22	29.675c	29.700c	29.675c	24.200c
Export refinery at	July 22	29.075c	29.550c	29.650c	35.225c
Straits tin (New York) at	July 22	78.750c	80.500c	93.500c	121.500c
Lead (New York) at	July 22	13.750c	13.500c	13.500c	16.000c
Lead (St. Louis) at	July 22	13.550c	13.300c	13.300c	15.800c
Zinc (East St. Louis) at	July 22	11.000c	11.000c	11.000c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 28	93.34	93.64	93.00	98.26
Average corporate	July 28	103.80	103.64	102.46	109.97
Aaa	July 28	108.70	108.34	106.39	114.27
Aa	July 28	106.04	105.69	104.48	112.19
A	July 28	102.63	102.63	101.47	109.42
Baa	July 28	98.41	98.25	97.94	104.14
Railroad Group	July 28	102.13	101.80	100.32	106.92
Public Utilities Group	July 28	103.47	103.47	102.30	109.42
Industrials Group	July 28	105.86	105.69	104.83	113.31
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 28	2.99	2.96	3.01	2.62
Average corporate	July 28	3.52	3.53	3.60	3.17
Aaa	July 28	3.24	3.26	3.37	2.94
Aa	July 26	3.39	3.41	3.48	3.05
A	July 28	3.59	3.59	3.66	3.20
Baa	July 28	3.85	3.86	3.88	3.50
Railroad Group	July 28	3.62	3.64	3.73	3.34
Public Utilities Group	July 28	3.54	3.54	3.61	3.20
Industrials Group	July 28	3.40	3.41	3.46	2.99
MOODY'S COMMODITY INDEX	July 28	425.1	426.6	414.4	435.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 18	195,839	175,234	210,031	168,607
Production (tons)	July 18	214,656	141,246	258,844	201,443
Percentage of activity	July 18	81	54	98	80
Unfilled orders (tons) at end of period	July 18	581,573	598,538	509,322	417,253
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 24	106.20	*106.06	106.22	109.94
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	July 11	21,541	20,882	29,863	23,128
Number of shares	July 11	597,225	553,322	812,955	651,861
Dollar value	July 11	$27,231,578	$25,060,128	$35,232,660	$30,376,295
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 11	17,594	16,506	23,995	20,065
Customers' short sales	July 11	102	132	193	61
Customers' other sales	July 11	17,492	16,374	23,802	20,004
Number of shares—Total sales	July 11	467,813	450,843	681,345	549,530
Customers' short sales	July 11	3,398	6,672	7,105	2,058
Customers' other sales	July 11	464,415	444,171	674,243	547,472
Dollar value	July 11	$18,344,134	$17,703,452	$6,710,431	$23,265,275
Round-lot sales by dealers—					
Number of shares—Total sales	July 11	126,710	122,150	178,930	160,850
Short sales	July 11	------	------	------	------
Other sales	July 11	126,710	122,150	178,930	160,850
Round-lot purchases by dealers—					
Number of shares	July 11	247,510	217,850	303,410	251,670
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	July 4	210,580	213,480	264,820	185,250
Other sales	July 4	4,311,210	5,162,870	6,879,460	5,665,070
Total sales	July 4	4,521,790	5,376,350	7,144,280	5,850,320
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	July 4	490,280	594,520	719,960	544,510
Short sales	July 4	88,800	93,730	107,630	103,170
Other sales	July 4	410,630	481,070	674,110	457,890
Total sales	July 4	499,430	574,800	781,740	561,060
Other transactions initiated on the floor—					
Total purchases	July 4	101,190	177,070	157,330	127,800
Short sales	July 4	9,600	9,300	22,800	4,900
Other sales	July 4	81,030	157,230	192,480	177,160
Total sales	July 4	90,630	166,530	215,280	182,060
Other transactions initiated off the floor—					
Total purchases	July 4	196,615	238,888	255,915	220,860
Short sales	July 4	62,500	54,350	56,070	42,180
Other sales	July 4	296,824	315,572	296,294	273,983
Total sales	July 4	359,324	369,922	352,364	316,163
Total round-lot transactions for account of members—					
Total purchases	July 4	788,085	1,010,478	1,133,205	893,170
Short sales	July 4	160,900	157,380	186,500	150,250
Other sales	July 4	788,484	953,872	1,162,884	909,033
Total sales	July 4	949,384	1,111,252	1,349,384	1,059,283
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 21	111.0	*110.5	109.6	111.2
Farm products	July 21	98.9	97.4	95.2	109.6
Processed foods	July 21	103.3	*104.6	103.2	109.2
Meats	July 21	101.8	95.9	90.8	113.8
All commodities other than farm and foods	July 21	114.5	114.5	114.0	112.0

*Revised figure. ¶Includes 675,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of May	105,464	102,071	80,803
Stocks of aluminum (short tons) end of May	21,015	18,086	10,371
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of June	9,419,000	*9,997,080	1,639,789
Shipments of steel products, including alloy and stainless (net tons)—Month of May	7,209,396	7,162,460	5,947,450
AMERICAN ZINC INSTITUTE, INC.—Month of May:			
Slab zinc smelter output, all grades (tons of 2,000 pounds)	82,422	*80,459	83,797
Shipments (tons of 2,000 pounds)	84,250	*86,043	74,076
Stocks at end of period (tons)	92,452	*94,280	33,144
Unfilled orders at end of period (tons)	43,271	38,722	41,494
BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of May (in thousands)	$142,173,000	$145,641,000	$133,032,000
COAL OUTPUT (BUREAU OF MINES)—Month of June:			
Bituminous coal and lignite (net tons)	39,115,000	37,390,000	*31,437,000
Pennsylvania anthracite (net tons)	2,876,000	2,783,000	3,244,000
Beehive coke (net tons)	530,000	*538,000	113,100
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC.—(1947-1949=100)—Month of June	134.3	136.5	125.4
COPPER INSTITUTE—For month of June:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	84,728	*93,197	80,392
Refined (tons of 2,000 pounds)	124,480	117,929	92,151
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	139,520	*146,215	98,416
Refined copper stock at end of period (tons of 2,000 pounds)	58,126	52,762	70,856
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Lint—Consumed month of June	741,929	747,789	674,773
In consuming establishments as of June 27	1,660,823	1,770,113	1,224,947
In public storage as of June 27	4,050,356	4,737,480	1,823,358
Linters—Consumed month of June	122,924	131,298	99,363
Stocks June 27	1,068,936	1,122,303	559,695
Cotton spindles active as of June 27	19,824,000	20,013,000	19,440,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on June 27	22,814,000	22,844,000	23,183,000
Spinning spindles active on June 27	19,824,000	20,013,000	19,453,000
Active spindle hours (000's omitted) June 27	9,330,000	9,489,000	8,102,000
Active spindle hours per spindle in place June	466.4	474.4	435.0
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average=100)—Month of June:			
Adjusted for seasonal variations	116	*115	111
Without seasonal adjustment	109	*114	105
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of April:			
All manufacturing (production workers)	13,767,000	*13,834,000	12,872,000
Durable goods	8,216,000	*8,213,000	7,497,000
Nondurable goods	5,551,000	*5,621,000	5,375,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	111.3	*111.8	104.1
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	150.1	*152.0	129.1
Estimated number of employees in manufacturing industries—			
All manufacturing	17,077,000	*17,131,000	15,994,000
Durable goods	10,113,000	*10,101,000	9,254,000
Nondurable goods	6,964,000	*7,030,000	6,740,000
HOUSEHOLD VACUUM CLEANERS—STANDARD SIZE (VACUUUM CLEANER MANUFACTURERS' ASSN.)—Month of June:			
Factor sales (number of units)	197,506	252,404	206,939
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of June (1935-39 average=100)	118.7	119.8	119.4
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of May:			
Death benefits	$158,288,000	$164,114,000	$150,656,000
Matured endowments	37,168,000	36,314,000	37,479,000
Disability payments	8,834,000	8,867,000	8,367,000
Annuity payments	35,339,000	35,049,000	29,175,000
Surrender values	57,485,000	58,826,000	55,895,000
Policy dividends	58,118,000	61,975,000	55,142,000
Total	$355,232,000	$365,145,000	$336,714,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of May (000's omitted):			
Ordinary	$2,000,000	$2,075,000	$1,684,000
Industrial	585,000	521,000	537,000
Group	487,000	639,000	582,000
Total	$3,072,000	$3,235,000	$2,803,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES— Month of May (millions of dollars):			
Inventories:			
Durables	$25,421	*$25,122	$23,595
Nondurables	19,627	*19,452	19,550
Total	$45,048	*$44,574	$43,144
Sales	26,314	*26,838	23,247
MONEY IN CIRCULATION—TREASURY DEPT. —As of May 31 (000's omitted)	$29,943,000	$29,843,000	$28,767,000
PORTLAND CEMENT (BUREAU OF MINES) Month of May:			
Production (barrels)	23,399,000	21,802,000	21,829,000
Shipments from mills (barrels)	22,924,000	20,891,000	23,282,000
Stocks (at end of month—barrels)	25,248,000	24,776,000	23,220,000
Capacity used	97%	94%	92%
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of June:			
Net sales	------	------	------
Net purchases	$20,077,450	$35,881,000	$1,526,900
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of May (000's omitted):			
Exports	$1,438,700	$1,393,900	$1,473,000
Imports	901,700	1,012,200	834,495

Continued from first page

Additional Commentaries On "United Nations" Article

informed, will reject overwhelmingly the plan of the United Nations.

HON. WILLIAM G. STRATTON
Governor, State of Illinois


Gov. W. G. Stratton

In reading Mr. Robertson's word description of the principal countries that make up the United Nations, one can easily understand why the United States stands out as a beacon light in this so-called galaxy of nations.

GORDON H. CHAMBERS
President, Foote Mineral Co., Philadelphia, Pa.

I was interested in the article by William A. Robertson. I spent several years working with high government officials in Western Europe, North Africa, and South America. Like our officials in Washington, these men vary in ability and ethics. Therefore, I cannot classify foreign governments as neatly as Mr. Robertson has done in his summary. I think you will agree that the art of politics and international economics is too complex to permit making definite conclusions.


Gordon H. Chambers

FRED P. RONDEAU
Rondeau & Washer, Esq., Chicago, Ill.

I regard Mr. Robertson's article on "An Inside View of the United Nations" as distinctly informative and instructive, but I see no reason to "throw in the sponge" and to abandon the original purpose of its organization.


Fred P. Rondeau

With interests so varied, and the constituent members themselves equally at variance in their cultures and experiences, it is not surprising to witness and to view the lack of harmony among the members thereof and of their respective nations. However, it must be realized that all these differences and misunderstandings existed, perhaps even in a more pronounced degree, before the formation of the United Nations, therefore it is appreciated that many may feel discouraged at such little progress.

To meet people is to know them! To know them is to understand them! To understand them is to love them! These rules apply to the United States as to all the members of the United Nations, hence, profit is bound to result from a continuation of the project. What may be needed is a better staffed Goodwill or Public Relations Department with its members constantly visiting the whole round of membership countries. Every nation has its newspapers and periodicals and other means of communication, so it is fair to presume that the peoples of all nations must thusly come to know everyone in a more intimate way, and that eventually, if not now, united good for all people must result. It is God's will to know and love thy neighbor as thyself, for in doing so we fulfill the greatest commandment of all—Love Almighty God.

A. R. AYERS
President, Detroit Institute of Technology, Detroit, Mich.

My reaction to the views expressed by Mr. Robertson is mixed. Certainly I recognize that the United Nations has many weaknesses, but it seems to me more successful than previous attempts at international cooperation. Mr. Robertson's article, of course, deals largely with the Security Council and overlooks completely other important aspects of the United Nations.


A. R. Ayers

R. T. BURDICK
Head of Department of Economics, Sociology and History, Colorado Agricultural and Mechanical College, Fort Collins, Colo.

Mr. Robertson states some important truths, yet I am inclined to think that they are not the entire story.

Like many others, I started with the idea that the United Nations would be a great force for peace and justice in the world. Also I have been disappointed by the U. S. A. "policy" regarding the United Nations and towards its members.


Raymond T. Burdick

But the longer I listen to the reported developments, admittedly at second hand through radio and press, the surer I become that regardless of errors in the organization and management of the United Nations, it serves a purpose which the world needs.

I do not believe that the nations of the world are ready to relinquish any important national sovereignty to a world organization. But I do believe that the world needs a common meeting ground where one nation can state its views and hear those of others. Probably it is a good thing that few majority decisions result from these talks. Rather the United Nations appears to be a place where world opinion can be expressed and formed, then the individual nations remain "free" to combine for effective action in small groups with like interests. From such joint action I hope to see emerge a revival of the rule of reason between nations. It is too early to form judgments (at least for me), but some day we will be able to decide how important the United Nations has been in forming world opinion. For a time it did look as if the forces of evil or of Russia, whichever you prefer, were having all the best of it. Who knows how effective has been the accumulated evidence through vetoes, harrangues, etc., that Russia says one thing, but does another—thus slowly awakening deluded nations to the true character of these enemies of mankind?

True, all this might have come about in other ways, but no military battles with Rusia were required to get at the facts. True, some errors of public statements may have caused Russia to invite "minor" wars among others. If so, I think the long-run result of some degree of cooperation among members of the United Nations to check these aggressions, will prove to be on the plus side.

It takes time and patience to learn how to live in a complicated world. It seems to me that the United Nations is supplying a valuable training ground for the process.

Hence my opening comment that I do not think that Mr. Robertson's comments tell the full story.

J. B. JESSUP
President, Equitable Security Trust Co., Wilmington, Del.

In the first place I think the title of the article is misleading. It does not seem to be an "inside" view of the UN. It does not seem as if the author had attended many meetings of the Security Council or General Assembly. It is not clear whether Mr. Robertson has studied the UN Charter and I wonder if he is familiar with the numerous accomplishments of a positive and beneficial nature which have occurred so far.


J. B. Jessup

I would much prefer to accept the viewpoint of Ambassador Henry Cabot Lodge or President Dwight D. Eisenhower or Secretary of State John Foster Dulles than that of William A. Robertson. There is much anti-UN propaganda going on at present, both in the Congress and otherwise. Unfortunately those who favor this type of world organization as being in the best selfish interest of this country and of the world do not speak or write as frequently as those who oppose this viewpoint. Perhaps naturally more publicity is given to those attacking something than to those who defend an idea or organization or a policy.

Does the author undestand the role of the General Assembly or of the Economic and Social Council or the Trusteeship Council? Is he aware of the important work of the World Health Organization or Food and Agriculture Organization or the Universal Postal Union or the various other technical and scientific bodies organized on a world scale?

I believe that the people of the United States in their overwhelming endorsement of Eisenhower last fall were keenly aware of the importance of the UN as one weapon in our national defense armament. I believe the people of this country repudiated isolationism and "going it alone." Mr. Robertson infers that if the Security Council is not a world legislature, it must be like the French Directory of 1795. That seems to me to be utter nonsense. How can an intelligent and responsible person state that the Security Council is a "governing" body and its members are "governors" of the world? No one feels that the UN is perfect; no one welcomes the abuse of the veto by Russia, but many intensely patriotic men whose integrity, mentality and Americanism cannot be questioned, feel that the UN must be made to work by gradual strengthening action and that the alternative course is far more dangerous than the present admittedly imperfect world organization to which we and most countries of the world belong.

I would like to mention one other matter—the cost of supporting the UN is infinitesimal when applied to the entire population of this country or its national budget. It has been stated that the actual dollars received by American business interests in and around New York City alone, for example, from UN personnel, exceeds the total cost of our national contributions to the UN.

Mr. Robertson's analysis of the weaknesses and imperfections of numerous member nations is not news, but some of his data seem to me to be incorrect and misleading. Regardless of the accuracy of his analysis, is it not preferable to deal with them and their problems through the collective agency of the UN, rather than to have to deal bilaterally with each country?

Does he think that we can fight Communism more effectively without allies, without world opinion being on "our side"—in short, without the use of UN machinery, discussion and joint deliberative action? Would not Russian Communists have a far easier task in sowing discord and increasing "areas of unrest" if we were not a member of the UN?

In short—you will readily gather that I believe in the UN, believe we should support and strengthen it, and that I disagree with Mr. Robertson's conclusions.

R. E. WOOD
Chairman of the Board, Sears, Roebuck and Co., Chicago, Ill.

I agree with everything Mr. Robertson says regarding the United Nations.

F. W. PAUL
President, McCrory Stores Corp., New York City

I have been sure for quite a long time that the United Nations was not going to work, but never before have I run across any article which proved the point so well as Mr. Robertson's does.

EARL R. MELLEN
President, Weston Electrical Instrument Corp., Newark, N. J.

I was very much interested in the article by Mr. Robertson. He has certainly marshaled his facts in a way to present this subject in a most convincing manner.

I think if you were to discuss the program of the United Nations, and more particularly the Security Council, with informed people throughout the country, in general they would be in agreement with Mr. Robertson's analysis.


Earl R. Mellen

Having, however, concluded that the Security Council cannot be effective in the manner in which it is constituted, the next important point is what to do as an alternative. Obviously, the only conclusion you can reach is that the United States must take a position of dominant leadership in world affairs — in this respect superseding the position that Great Britain held for a period of over a century.

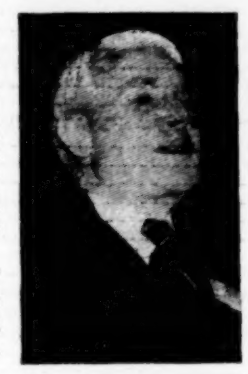
There are also many other phases of our relations with foreign countries which are being questioned by many people. Certainly there is considerable doubt about the wisdom of continuing to pour funds into many different countries, where they do not improve our standing and for which there appears to be very little in the way of thanks for what we have done. Similarly, this whole subject of technical assistance to certain countries may well be questioned as attempts are made to change over rapidly the habits of generations of certain nations and people.

HON. SPESSARD L. HOLLAND
U. S. Senator From Florida

I have from its inception been a strong supporter of the United Nations believing that it offers the world its best hope for world accord and peace. I would not favor weakening the organization in any respect.

DONALD H. McLAUGHLIN
President, Homestake Mining Co., San Francisco, Calif.

I find myself very much in agreement with the pessimism Mr. Robertson expresses and the danger of placing power of such magnitude in the hands of governments that have a long record of instability. Although I would be inclined to make a better case for Mexico than he does, his comments on conditions and potential dangers in certain of the others to the south and in the near far east seem well justified.


D. H. McLaughlin

ALWIN F. FRANZ
President, The Colorado Fuel and Iron Corporation, New York City

The article by William A. Robertson entitled, "An Inside View of the United Nations," is very well prepared, but it does not present a reassuring view of world conditions or the administrative abilities of the Security Council. I am in full agreement that our country faces very real problems in this difficult period, but I am confident our government will continue to make progress in strengthening our relationships in vital matters of world government.


Alwin F. Franz

The article is timely; its analysis of the situation and the implications are very serious. However, because the United States is confronted with such problems is exactly the reason why the spirit of confident leadership should be the keynote of our position among the nations of the world. We know our system of democracy works, we know our economic system of free enterprise is sound; we know the American people want ultimate world peace. Therefore we must assume the role of a patient but confident leader and by example rather than talk help bring stability to the world.

American products are needed in building the industrial strength of other countries; we are also

dependent upon these countries for many needed materials. For example, the United States is the largest steel producer by a wide margin, but it is not self-sufficient in all the raw materials used in steel making, particularly the key metals required in steel alloys as manganese, tungsten, tin and nickel.

Unity of purpose and action is essential; it is my firm conviction that our country must be kept strong and high levels of production must be maintained if we are to continue our position of leadership and command the respect of other countries.

ERNEST R. ACKER
President, Central Hudson Gas & Electric Corporation, Poughkeepsie, N. Y.

Mr. Robertson is to be commended for the effort he made to marshal significant historical facts to support his conclusions. However, I do not agree with Mr. Robertson's contention that each of the countries represented on the Security Council of the UN should be characterized as a world ruler. While I know that many constructive proposals have been frustrated in the UN by the action of one nation or another, I do not consider his generalization a fair one, nor am I willing to concede at this time that the Security Council has failed in its purpose.


Ernest R. Acker

Although I cannot agree with certain of Mr. Robertson's conclusions, I have found his article interesting and informative.

ARTHUR K. ATKINSON
President, Wabash Railroad Co., St. Louis, Mo.

It is unfortunate that Mr. Robertson spent an entire year for study and research in order to prepare this paper, which leads to such a hopeless conclusion. While I have no claim to being an expert on foreign relations, I do have an abiding faith in our present government's policy with regard to the United Nations. I join the millions of others who hope that through continued conferences either in the United Nations or in other meetings with our diplomats that a way will be found for a lasting world peace.


Arthur K. Atkinson

HON. GEORGE A. DONDERO
U. S. Congressman From Michigan

Frankly, I am disappointed with the United Nations and feel that it has not accomplished the purpose for which it was created; namely, to bring peace to this world.

W. LAIRD DEAN
President, The Merchants National Bank, Topeka, Kan.

I was very much interested in reading the informative article by William A. Robertson pertaining to the United Nations. He describes so glowingly the differences in the governments of our associated countries, and the philosophies behind them.

Certainly America must never surrender one iota of her sovereignty to any group of nations, particularly to those nations in which freedom is unknown.

CHARLES DIEHL
President, Empire City Savings Bank, New York City

Mr. Robertson's review appears to be very complete and gives an excellent background of the opinion that I have had for some time that the UN, as now set up, appears to be no more effective in maintaining world peace and tranquillity than the League of Nations was in its day. I still hope that something constructive may come out of the present United Nations set-up.


Charles Diehl

A. EDWARD SCHERR, JR.
Vice-President and Treasurer The Dime Savings Bank of Brooklyn, New York

I am 100% in agreement with the views expressed by Mr. Robertson. It is perfectly amazing that there are so few people who see through the stupidity of such a set-up as we have in the United Nations. It boils down to the fact that we support the world and have nothing to say. It seems to me that there is absolutely no joint effort on the part of all the United Nations to support the United States in its effort to prevent the spread of Communism. There is entirely too much talk and no action. Frankly, it is my opinion that the United Nations is going the way of the League of Nations.


A. E. Scherr, Jr

I could write much more of my opinion on this subject but I do not think it necessary as it is so well covered in the article by Mr. Robertson.

HUGH C. GRUWELL
President, First Nat'l Bank of Arizona, Phoenix, Ariz.

The thoughtful discussion presented by Mr. William A. Robertson of New York, under the title "An Inside View of the United Nations," gives a clear insight into one of the principal problems faced by the United Nations.


Hugh C. Gruwell

Today's world, consisting of four or five enormously powerful countries and a large number of less powerful and smaller countries, makes the latter almost dependencies of the former. Thus, the influence of the smaller countries in the Security Council of the United Nations can be out of all proportion to the small size of the country or the instability of its government.

It is in this avenue that examination can well be made. Reference is given in Mr. Robertson's discussion to Chile, for example, and it is called "a land of revolution." That has been the history of the country for 100 years or more but it can be said that revolution results in some progress though that progress is far from satisfactory or complete. It could not be set up as dicta that because of this instability, Chile should lose its voice in the United Nations. Far more dangerous is the admission of voices of countries abroad out of whose mouths comes Russian philosophy and who might be said to vote the Russian line. In that case, it is wholly comprehensible that Russia could muster considerable voting strength through the intimidation of these smaller countries, whom it could crush in an hour.

Mr. Robertson's thesis that the Security Council of the United Nations as composed today is doing nothing for the world at this time and it cannot be useful because of its composition, is a soberly drawn conclusion and one which would appeal to many of isolationist tendencies; or others to whom the notion of an association on a relatively equal basis with these smaller nations is uncomfortable.

Is there not another side to this picture, however? No great change in human behavior has ever occurred bloodlessly or without some contortion. It isn't possible in my view for so revolutionary a proceeding as the United Nations to become real and operative without some violent changes in philosophies, in national habits, and in fact, in national ideologies.

The basic question is not either of these, however. It is a very simple one to ask. Its answer lies in what they are trying to arrive at in United Nations now. It is: Is the world ready for a union of nations and will such a union of nations bring about Peace among men?

Mr. Robertson is to be thanked for his article which stimulates this useful discussion.

LOUIS RUTHENBURG
Chairman of the Board, Servel Inc., Evansville, Ind.

I found Mr. Robertson's article very informative, and I am sure that it is the result of a lot of painstaking study. This document underscores the unique characteristics of this republic and emphasizes the degree to which we stand alone.


Louis Ruthenburg

I cannot agree, however, with Mr. Robertson's implied conclusion that the United Nations is wholly without value. It is clumsy and, in many respects, self-defeating, but I think we have much more to gain by trying gradually to reform it and make it work than by adopting an attitude of complete frustration.

CRAWFORD H. ELLIS
President, Pan-American Life Insurance Co., New Orleans, La.


Crawford H. Ellis

I think the United Nations, like the League of Nations, will soon be a thing of the past and the United States will be holding the bag. The purposes for which it was intended have not been carried out and the sooner it is liquidated the better it will be for all Americans.

Securities Salesman's Corner

By JOHN DUTTON

Fit Your Offerings to Your Customer

If you will catalogue your clients' preferences as to their investments you will observe that they fall into several major classifications. One of the most important services which clients expect of their advisors is that they are offered securities that fit their needs. Some years ago I remember that a certain firm made a general mailing on a highly speculative security and one of their top salesmen began to receive a very strong unfavorable reaction from a number of his most conservative accounts. They did not know that he had nothing to do with the offering which was unsuitable for their requirements. All they saw was an offering circular and his firm's name printed thereon. People who are conservative investors and who do not look for anything but safety and income cannot be blamed for being perturbed when they receive an offering of highly speculative securities from the firm with whom they have been doing business on a conservative basis for years.

Likewise, there are people who are interested mainly in capital gain situations. Some of them prefer growth companies that have a very susbtantial foundation both in their industry and financially. They pick securities very carefully and what they buy is usually thoroughly investigated. I know one man who has made several millions of dollars in the past 25 years through the exercise of patience and his ability to analyze companies that were growing or making a come-back. He bought New York City real-estate bonds and some in Chicago at fractions of their present worth; he can take most of the major railroads of this country and pick them apart as to their past history, their present capitalization, their territory served, etc., and do it by memory. He has fabulous profits today in common stocks that he bought for a few dollars and that have been split and resplit and today are quoted at substantial prices in the market. But if you bring him a situation you had better have it researched down to the last remaining decimal as far as the balance sheet is concerned, and you had also better know a great deal about everything else contributary to the convictions that cause you to believe in the future of your offering. Otherwise you won't be welcome the second time. If a situation doesn't have real merit and if it isn't an outstanding bargain, or have a definite reason for being bought, this man will not waste time on it.

Then there are people who only buy penny stocks or long-shot speculations. They seem to be congenital accumulators of low-priced stocks. They don't investigate very thoroughly, they buy emotionally and often spread out over many different issues. They just keep buying cheap stocks. They are good to know if you have some of this type of merchandise from time to time. But of course don't try to change them into investors. Don't offer them conservative investments. They like it the other way.

These things are all academic but sometimes we forget how simple retailing of investments can be if we would only classify our customers and prospects. There are those who will fall into all three of the above classes, or two of them. There are overlapping cases of people who will "cut off a corner" for a speculation once in a while. These things should be noted. But care should be used in making all offerings because people do want to feel that you understand their needs and investment requirements, and also that you take their business seriously enough so you will not make offerings to them that are out of line with their own standards and preferences as to investment.

Martin Judge, Jr. Now With Waldron & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Martin Judge, Jr. has become associated with Waldron & Company, Russ Building. Mr. Judge was formerly manager of the trading department for Lauterwasser & Co. and prior thereto was with Hill Richards & Co. In the past he conducted his own investment business in San Francisco.

Now Lloyd Arnold Co.

BEVERLY HILLS, Calif.—The firm name of Arnold, Case & Company, 404 North Camden Drive has been changed to Lloyd Arnold & Company.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

BENICIA, Calif. — Sherman W. Campbell has been added to the staff of King Merritt & Company, Inc.

Blanchard Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BATON ROUGE, La. — Mrs. Lura M. Butterworth has joined the staff of Carver Blanchard, 1215 Main Street.

Cruttenden Adds

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Victor O. Langen is now with Cruttenden & Co., First Wisconsin National Bank Building.

With Columbia Inv.

(Special to THE FINANCIAL CHRONICLE)

BANGOR, Maine—Franklin W. Eaton has joined the staff of Columbia Investment Company, Columbia Building.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

George Hepburn, member of the Exchange, will withdraw from partnership in William R. Staats & Co. July 31.

Brooks D. Weber, general partner, became a limited partner in Davies & Co. July 1.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Arthur H. Newcomb has become associated with Schirmer, Atherton & Co., 634 Congress Street. He was formerly with H. M. Payson & Co.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Alan G. Page has become connected with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

With Standard Investment

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Raymond R. Greaves and Byrle Lerner have become associated with Standard Investment Co. of California, 87 South Lake Avenue.

Continued from page 3

The Prospects for Prosperity

ever did what my former partner, Dana Skinner, did and what has made this business of ours possible. It has also relieved us of the necessity to prophesy—and I have no more confidence in prophets than has the average individual in the country. There is, however, a definite advantage which accrues to the possessor of advance information and that is exactly what is to be found in the banking figures.

Dana's contribution to the whole field of monetary and credit economics was what I call a tremendous trifle. Perhaps you are not aware of the fact, but those who were endeavoring to perfect the sewing machine labored without success for many years in their endeavor to get the needle down through the cloth and back up, as did the seamstress. It wasn't until someone who didn't know any better asked them if there was any reason why they couldn't put the eye in the point of the needle that the sewing machine was perfected—and Dana did something of the sort. In a bank there isn't a single earning asset which isn't the liability of someone else, nor is there a deposit liability which isn't the asset of someone else. If the bank figures, as published, are inverted, with assets substituted for liabilities, you have bemore you the balance sheet, the earnings statement and, again, the condition report not of the banks but of the banks' customers, who happen to be the largest cooperative enterprise the world has ever known. It is called the United States of America.

That report can be analyzed by old fashioned accounting procedure and ratio analysis without recourse to economic theory. As the possessor of a degree in Economics, I can speak without being accused of indulging in sour grapes when I tell you quite sincerely that I wouldn't give a dime for an economist unless he had a good sociologist looking over his shoulder and I would cheerfully swap them both for an expert in mass psychology any day if I could ever find an expert of that type who could manage to keep his nose out of a subject called Metaphysics, which someone has defined as a science of deliberate self-bewilderment.

In the bank figures you have before you the first result of mass psychology. You don't have to argue from cause to consequence but can argue from primary consequence to secondary consequence — and in that argument John Q. Public has already indicated his attitude. If you see an inventory log-jam building up in the banking figures you know that inevitably it will be followed by less production, more unemployment, less earnings, less dividend expectancy and a complete reappraisal of the stock market as soon as that fact percolates into the public's consciousness.

Those are the advantages of bank-figure analysis. Its disadvantages are equally obvious. It never can tell you what any market will do today or tomorrow. We do not know and we do not think anyone else knows what any market will look like a year or two hence. Our instrument is neither a microscope nor a telescope. However, it is a periscope through which it is possible to look, each week, just over the top of the next hill.

All of that prefatory discussion is by way of justifying some rather flat assertions which you may hear in the next few minutes and which are based on nothing more—and nothing less—than the advance information in the banking figures. So much for that.

What Business Depends On

Reduced to its essentials, business depends upon two things. One is the capacity to spend and one is the willingness. The ideal situation is where capacity exceeds willingness by a slight margin so that savings are assured, and in which willingness is just about enough to absorb the production of goods and services so that there is no serious impact on the price structure. That, of course, is outrageous oversimplification but it is correct — in essence.

If we have a greater capacity than willingness, savings pile up and business slows down. If we have a greater willingness than capacity, we begin to build up, somewhere in our economy, an inverted pyramid of credit which usually grows too big, topples over and sometimes brings the whole economy down with it.

Never before in our history have we had both these distortions existing side by side. Those who are engaged in the promotion of thrift and home ownership have benefited tremendously from one of these distortions. They could be hurt by the other because we are looking today at another one of those inverted pyramids of credit which is growing by leaps and bounds and about which very little concern is being expressed.

Private debt, which stood at $141 billion at the close of World War II and was about 60% of the sum total of state, local and Federal debt, is now about $304 billion, which is almost 20% greater than the sum total of state, local and Federal debt. Not all of that debt need constitute a matter for serious concern. The long-term self-amortizing home loans can be handled. Our corporations have borrowed too much and have not obtained enough money in the form of venture capital—but that, too, is a situation which is not unduly alarming. It is consumer debt, the money owed by individuals who have acquired today's satisfactions out of tomorrow's income, the debts that produce no income out of which they can be repaid, which is the basis for serious concern.

At the close of World War II the total of consumer debt was $5.6 billion. Of this, $2 billion was installment debt. Today that total is $27.6 billion and of that total $20.085 billion is installment debt. The rapidity of this growth is indicated by the figures published for the month of May, 1953 in which consumer debt increased by $544 million, of which $429 million was installment debt—and of that total $306 million was installment debt incurred for the purchase of automobiles.

There are those who say that this, too, is not a cause for concern because private wealth and the accumulation of liquid assets have increased tremendously. Including all of the farm and nonfarm mortgage debt, the sum total of private debt is $99 billion. Including all of the assets in the reserves of the life insurance companies, the total assets of our citizens are estimated to be $363 billion.

But debt is a personal problem. The assets of one individual cannot be requisitioned to pay the debts of another. Twenty-six million families owe no debt whatever. The other 26 million families owe about $1,000 apiece, on the average, of consumer debt. That average obviously means that some families owe very little and some owe a great deal, many too much.

It would be a challenge to credulity to state that the savers and the borrowers are identical. It would be an equal challenge to credulity to state that they are entirely separate and that the nation has divided itself into the sheep and the goats, the savers and the borrowers. There must be—in fact, we know there is—a very substantial overlap. The redistribution of wealth, which was a figure of speech in 1932, is an accomplished fact today. Sixty percent of the disposable income in this country has gravitated into the hands of those families with incomes of between $3,000 and $7,500 per annum, but these are the families which owe 65% of the consumer debt, according to figures established by the Michigan University Research Survey Center.

Growth of Consumer Debt

If the mounting pyramid of consumer debt is slowed down or stopped, those who have been living from month to month on the extension of credit will have to decide whether this month's income is going to go for living expenses or for the repayment of debt. If incomes are reduced and savings are requisitioned to pay that debt, the custodians of those savings, who are the managers of the thrift institutions in the country, may find themselves in a situation where withdrawals equal or exceed new deposits. Therefore, it would seem to be the part of plain common sense to establish somewhat larger liquidity reserves than might now be considered necessary. The danger may be averted but not unless it is recognized as a danger and steps are taken so that it may be averted.

Coming back to the piling up of installment debt for the purchase of automobiles, that should be a subject of particular interest to those living in the State of Michigan, where the automobile industry is not the only industry, by any manner of means, but is certainly the principal industry. The New York "Times" on July 20 had a very long article in which the headline was "Auto Industry Sees A Decline; Split on When and How Fast." The sub-head of that article was "Factory Sales Chiefs Optimistic as Buyers' Market Returns — Dealers, Overstocked, Are Uneasy, Cut Profit Margin Sharply." The article goes on to quote Mr. Harlow Curtice, President of General Motors, with an estimate that the market will absorb 5.5 million new passenger cars this year. Production for the first six months of 1953 was 3.2 million units. If production is cut back to meet this demand, the figures for the last half of 1953 would be 2.3 million cars, a reduction of almost exactly 28%. If it is not cut back, the problem of overproduction will simply become more critical than it is at the present time and the choice here seems to lie between a slow-down and a breakdown.

The big three, General Motors, Ford and Chrysler, are determined to expand their respective shares of the market. By the end of June this share had jumped from 86.5% a year ago to 89% and the "Automotive News" estimates that it will account for 94% of last week's output. The independents' share dropped from 13.5% to 11% in a year and their shrunken share will be further reduced this month.

It is not necessary to tell you gentlemen that Kaiser and Nash are shut down, Hudson and Packard have reduced their output, while Studebaker and Willys are struggling to regain the ground they lost because of a long supplier strike which cut off their share of transmissions.

The impact of all this on the savers in your institutions is difficult to estimate but the fact that there will be some impact of consequence is almost too obvious to warrant extended discussion. If overtime pay, on which the automobile workers have counted with such confidence, is eliminated and if, as a second step, the third shift is also eliminated, the incomes of the automobile workers may be reduced to the point where they will find it difficult to meet their fixed charges. It is to be hoped that they have savings against which they can draw, but if they do the withdrawals will come out of the funds in your custody.

Beyond this point, the impact of a letdown in the automobile business could be tremendous. That industry today consumes 20% of our steel, 70% of our glass and 70% of our rubber. This means that not only Detroit, Flint, Pontiac, Lansing and South Bend might be affected but the slowdown could spread to the steel mills of Ohio and Pennsylvania, the rubber plants at Akron and the glass factories of Toledo and Pittsburgh.

Conclusion

This is no counsel of despair but this is a part of what lies in that valley and the objective analysis of what 150 million people are actually doing with their money may serve to dispel some of those mists of uncertainty.

The future outlook is bright; the heights are attainable but only if we proceed with care, with cautious optimism and with every possible provision against the dangers which may develop. If they do not develop, the precautions outlined at this time may prove to be very cheap insurance. We must remember, among other things, that we have an Administration in Washington committed definitely to a slow-down and committed also — as far as lies within their power—to the avoidance of a breakdown. It is to be hoped that the breakdown can be avoided but the managers of the thrift institutions must keep constantly in their minds the fact that even a slow-down might hurt them, because it would hurt their customers.

Continued from page 5

Tito's Agricultural Hodge-Podge

as generally surprising as it was disconcerting, to the regime.

Socialist Backtracking Again

Once again manifesting a reversal-of-policy, the 10-hectare limitation has stripped the independent farmers of pieces of land totaling 300,000 hectares. This land will not be distributed to the landless peasantry; but to assorted cooperatives and other state-manipulated combines.

Thus, now that the smoke has cleared away, it seems that the regime, despite the preliminary step back, has extended its socializing movement here.

Present Setup

So now there are three classifications of farms—(1) the collectives (peasants' working co-ops); (2) State farms; and (3) private farms.

The collectives technically are owned by the members; with the earnings prorated according to the contribution of labor. Rent is paid in kind to the member who originally contributed the land. In some cases no rent is paid, the land being held in the name of the collective.

The State Farms are enterprises in which the title is held by the State. All those who are employed, from the manager down to the lowest worker, have salaries paid to them.

The private farms are subject to rigid and some times confiscatory taxation.

The recent March "escape" decree reduced the number of collectives from 7,000 (in January, 1950) to 2,200.

After all its various zigzags, the Socialist hold on agriculture has been extended rather than relaxed; to the accompaniment of overall inefficiency and ineffectiveness.

Thus, per our previous demonstration in other sectors of the economy, the agricultural setup is a hybrid — partly collective, partly State, partly private—with "fluidity" (indecision?) between all three.

* * *

Our over-all general conclusions, on the industrial as well as agricultural fronts, from surveying this experimental economic laboratory, may be summarized as follows:

(1) As with the Communist regime in the USSR, Yugoslavia has found it necessary to call on numerous capitalist devices, as in the incentive category.

(2) While Yugoslavia's current "democratization" and de-centralization, as well as the watering-down of authoritarian management and planning are preferable ideologically; the eventual result, in the absence of sufficient incentive and responsibility, may well be unworkability and permanent dependence on Western aid.

(3) Indication that only a complete break — not compromise — with socialism, is workable.

SERIES CONCLUDED.

Fred A. Marshall Now With Colvin & Stine

SAN FRANCISCO, Calif.—Fred A. Marshall has become associated with Colvin & Stine, 310 Sansome Street. Mr. Marshall was formerly Los Angeles representative for Knickerbocker Shares, Inc. and prior thereto was with Lord, Abbett & Co. and Carter & Co.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Ole M. Minge is with King Merritt & Company, Inc., Rand Tower.

With J. A. Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

ST. CLOUD, MINN.—Milton J. Betzold is with J. A. Lynch Company, Inc., 1616 St. Germain.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

SALISBURG, Mo.—Eugene Fine has become connected with King Merritt & Co., Inc.

With Westheimer Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Clarence A. Bolin has joined the staff of Westheimer and Company, 30 East Broad Street.

With Loewi & Co.

(Special to THE FINANCIAL CHRONICLE)

APPLETON, Wis. — Edward C. Kuehl has become affiliated with Loewi & Co. of Milwaukee. He was previously with Wayne Hummer & Co.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—William J. Case, Jr. has become associated with Paine, Webber, Jackson & Curtis, 147 East First Street. Mr. Case was formerly a partner in Arnold, Case & Company of Beverly Hills.

C. D. Green

C. Douglass Green, partner in Harris, Upham & Co., New York City, passed away at his home at the age of 71.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Acteon Gold Mines Ltd., Vancouver, B. C., Can.
April 22 filed 250,000 shares of common stock (no par). **Price** — $1 per share (net to company). **Proceeds** — To purchase equipment and supplies. **Underwriter**—M. H. B. Weikel, Los Angeles, Calif.

★ **Aluminum Tubing Co., Spokane, Wash.**
July 20 (letter of notification) 2,400 shares of 8% cumulative preferred stock (par $25) and 2,400 shares of common stock (par $5) to be offered in units of one share of each class of stock. **Price**—$30 per unit. **Proceeds**—For working capital, etc. **Address**—c/o Hamblen, Gilbert & Brooke, 912 Paulsen Bldg., Spokane, Wash. **Underwriter**—None.

American Independence Life Insurance Co., Houston, Texas.
July 14 filed 50,000 shares of preferred stock (no par) and 50,000 shares of common stock (no par) to be offered to commissioned officers of the uniformed services of the United States in units of five shares of each class of stock. **Price**—$495 per unit. Payment may be made in 36 equal monthly instalments of $13.75 each. **Proceeds** — For general corporate purposes. **Underwriter**—None.

★ **American-Marietta Co., Chicago, Ill.**
July 20 (letter of notification) 4,500 shares of common stock (par $2). **Price** — At market (approximately $22 per share). **Proceeds**—To Grover M. Hermann, the selling stockholder. **Underwriter**—First California Co., Inc., San Francisco, Calif.

• **Applied Science Corp. of Princeton (8/4)**
May 21 filed $750,000 of 6% guaranteed sinking fund 10-year debenture notes due April 30, 1963, of this company and 75,000 shares of common stock (par one cent) of Bradco, Inc., to be offered in units of $100 of notes and 10 shares of stock. **Price**—$105 per unit. **Proceeds**—For acquisition of stock of two companies, who will borrow the remainder to repay bank loans and for working capital. **Underwriter** — C. K. Pistell & Co., Inc., New York.

Arizona Bancorporation, Phoenix, Ariz.
July 17 filed 150,000 shares of common stock to be offered for subscription by common stockholders on the basis of three-quarters of a new share for each share held (with oversubscription privilges). **Price** — At par ($10 per share). **Proceeds**—To purchase stock of three State banks. **Underwriter**—None.

Armstrong Rubber Co.
March 31 filed $4,000,000 of 5% convertible subordinated debentures due May 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**—Manufacturer of tires and tubes. **Underwriter**—Reynolds & Co., New York. **Offering**—Temporarily postponed.

Atlas Plywood Corp., Boston, Mass. (8/5)
July 14 filed $5,000,000 of 5% sinking fund debentures due 1968 and 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, etc. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ **Augusta Chemical Co., Augusta, Ga.**
July 27 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At market (but not less than $3.08 per share). **Proceeds**—To Henry I. Gilbert, the selling stockholder. **Address**—Box 660, Augusta, Ga. **Underwriter**—None.

★ **Automatic Electric Windows, Inc.**
July 17 (letter of notification) 299,850 shares of common stock (par 1 cent). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office** — Woodside, L. I., N. Y. **Underwriter**—Royal Securities Corp., New York.

★ **Axe-Houghton Fund A, Inc., New York**
July 28 filed 550,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

Boston Edison Co.
June 26 filed 246,866 shares of capital stock (par $25) being offered for subscription by stockholders of record July 16, 1953, on a 1-for-10 basis (with an oversubscription privilege); rights to expire Aug. 3. **Price**—$45 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—The First Boston Corp., N. Y.

• **Brunner Manufacturing Co., Utica, N. Y. (8/18)**
July 21 filed 100,000 shares of common stock (par $1) and $1,500,000 of 15-year 6% subordinated convertible debentures due July 31, 1968. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and to purchase machinery. **Business**—Manufactures air conditioning parts. **Underwriter**—Allen & Co., New York, and Mohawk Valley Investing Co., Inc., Utica, N. Y.

★ **Buckeye Incubator Co., Springfield, Ohio**
July 27 (letter of notification) 215,000 shares of common stock (par $1). **Price**—$1.35 per share. **Proceeds**—To retire debt. **Office**—504 W. Euclid Ave., Springfield, O. **Underwriters**—Gearhart & Otis, Inc., New York; and McCoy & Willard, Boston, Mass.

Budget Charge Accounts, Inc., Yonkers, N. Y.
July 1 filed $1,000,000 of seven-year capital notes due Aug. 1, 1960, of which $225,000 principal amount may be offered in exchange for a like amount of five-year 10% subordinated debentures due Aug. 1, 1956. **Price**—At par (in denominations of $100, $500 and $1,000). **Proceeds**—For additional working capital, but may be used to reduce bank loans. **Underwriter**—None.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed.

★ **Central Electric & Gas Co., Lincoln, Neb.**
July 27 (letter of notification) 12,000 shares of common stock (par $3.50) to be offered for subscription by employees. **Price**—$2 less than the market, which on July 15 was $11.60 per share. **Proceeds** — For construction costs. **Office**—144 South 12th St., Lincoln, Neb. **Underwriter**—None.

★ **Charge-It Systems, Inc., New York**
July 20 (letter of notification) 30,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Business**—Individual credit financing and commercial financing. **Office**—60 East 42nd St., New York, N. Y. **Underwriter**—None.

Chesapeake & Potomac Telephone Co. of Baltimore City (8/11)
July 10 filed $15,000,000 of 31-year debentures due Aug. 15, 1984. **Proceeds**—To repay advances from American Telephone & Telegraph Co., parent. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received on Aug. 11.

Coleman Engineering Co., Inc., Los Angeles, Cal.
June 18 (letter of notification) 38,000 shares of class A common stock (par $1), of which 8,000 shares will be issued to pay off notes at rate of $5 per share, 5,000 shares to be sold to stockholders and employees and 25,000 shares will be sold publicly. **Price**—$5.25 to stockholders and employees and $5.62½ per share to public. **Proceeds**—To repay debt and for working capital. **Office**—6040 West Jefferson Blvd., Los Angeles, Calif. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

Colo-Kan Fuel Corp., Denver, Colo.
June 29 (letter of notification) 940,000 shares of class A common stock (par five cents). **Price** — 9½ cents per share. **Proceeds**—For drilling expenses and equipment. **Office**—711 E & C Bldg., Denver, Colo. **Underwriter**—E. I. Shelley & Co., Denver, Colo.

★ **Colorado Uranium Mines, Inc., Rangely, Colo. (8/4)**
July 20 (letter of notification) 2,000,000 shares of common stock (par 1 cent). **Price**—15 cents per share. **Proceeds** — For working capital. **Underwriter** — Tellier & Co., New York.

Consumer Credit Corp., Tampa, Fla. (8/3)
July 15 (letter of notification) 300,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To open new branch offices. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Consumers Cooperative Association, Kansas City, Mo.
July 22 filed 200,000 shares of 6% non-cumulative series "A" preferred stock (par $25) and $5,000,000 of 20-year 5½% subordinated certificates of indebtedness. In amounts divisable by $100. **Price**—At par. **Proceeds**—For new construction and working capital. **Underwriter**—None.

★ **Continental Electric Equipment Co., Cincinnati, O.**
July 21 (letter of notification) 13,224 shares of class A common stock (no par). **Price**—$12.50 per share. **Proceeds**—For general corporate purposes. **Office**—1 Green Hills Place, Cincinnati 38, Ohio. **Underwriter**—None.

DeKalb & Ogle Telephone Co., Sycamore, Ill.
June 24 (letter of notification) 25,695 shares of common stock, to be offered for subscription by stockholders at the rate of one new share for each four shares held. **Price**—At par ($10 per share). **Proceeds**—To construct telephone exchange. **Office**—112 West Elm St., Sycamore, Ill. **Underwriter**—None.

★ **Dow Chemical Co., Midland, Mich. (8/4-5)**
July 23 filed 400,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To Estate of Grace A. Dow. **Underwriter**—Smith, Barney & Co., New York.

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NEW ISSUE CALENDAR

July 31 (Friday)
Wallace (William) Co.____Common
(Dean Witter & Co.) 12,100 shares

August 3 (Monday)
Consumer Credit Corp.____Class A Common
(Eisele & King, Libaire, Stout & Co.) $300,000
Penn Fruit Co.____Preferred
(Hemphill, Noyes & Co.) $2,000,000
Sun Valley Mining Corp.____Common
(Miller Securities Corp.) $299,000

August 4 (Tuesday)
Applied Science Corp.____Notes & Stock
(C. K. Pistell & Co., Inc.) $787,500
Colorado Uranium Mines, Inc.____Common
(Tellier & Co.) $300,000
Dow Chemical Co.____Common
(Smith, Barney & Co.) 400,000 shares
Washington Natural Gas Co.____Common
(Barrett Herrick & Co., Inc.) $300,000

August 5 (Wednesday)
Atlas Plywood Corp.____Debs. & Common
(Van Alstyne, Noel & Co.) $5,000,000 debs. and 150,000 shares of stock
Pittsburgh & Lake Erie RR.____Equip. & Trust Ctfs.
(Bids noon EDT) $3,225,000

August 10 (Monday)
Louisville & Nashville RR.____Equip. Trust Ctfs.
(Bids to be invited) $7,650,000
Texas International Sulphur Co.____Common
(Vickers Brothers) 400,000 shares

August 11 (Tuesday)
Chesapeake & Potomac Telephone Co. of Baltimore City____Debentures
(Bids to be invited)
State Loan & Finance Corp.____Debentures
(Johnston, Lemon & Co.) $2,750,000

August 12 (Wednesday)
Gulf, Mobile & Ohio RR.____Equip. Trust Ctfs.
(Bids to be invited) $4,500,000

August 18 (Tuesday)
Brunner Manufacturing Co.____Debs. & Common
(Allen & Co. and Mohawk Valley Investing Co., Inc.) $1,500 debs. and 100,000 shares of stock

August 20 (Thursday)
American Fidelity & Casualty Co.____Preferred
(Geyer & Co.) $750,000

August 25 (Tuesday)
Southern California Edison Co.____Bonds
(Bids to be invited) $30,000,000

August 31 (Monday)
Denver & Rio Grande Western RR.____Eq. Tr. Ctfs.
(Bids to be invited) $3,300,000
Wisconsin Power & Light Co.____Bonds
(Bids to be invited) $8,000,000

September 1 (Tuesday)
Duke Power Co.____Bonds & Common
(Bids for bonds to be invited) $35,000,000

September 2 (Wednesday)
Duke Power Co.____Common
(Offering to stockholders—no underwriting) 208,321 shares

September 15 (Tuesday)
Duquesne Light Co.____Common
(Bids to be invited) about 150,000 shares
Louisiana Power & Light Co.____Bonds
(Bids noon EDT) $12,000,000
Pacific Telephone & Telegraph Co.____Debs.
(Bids to be invited) $50,000,000

September 17 (Thursday)
Duquesne Light Co.____Preferred
(Bids to invited) about $5,000,000

September 22 (Tuesday)
Duquesne Light Co.____Bonds
(Bids to be invited) $12,000,000

October 6 (Tuesday)
Mississippi Power Co.____Bonds
(Bids to be invited) $4,000,000

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Eagle Super Markets, Inc., Moline, Ill.
May 21 (letter of notification) 25,000 shares of 6% preferred stock. **Price**—At par ($10 per share). **Proceeds**—To redeem first preferred stock and for working capital. **Office**—2519 Fourth Ave., Moline, Ill. **Underwriter**—Harry Hall Co., Safety Bldg., Rock Island, Ill.

★ **East Eagle Mining Co., Baker, Ore.**
July 24 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ **Fairfield Mining Co., Stockton, Calif.**
July 20 (letter of notification) 430,000 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—To cancel debt and for working capital. **Office**—828 East Main St., Stockton, Calif. **Underwriter**—None.

Fairway Foods, Inc., St. Paul, Minn.
May 8 filed $1,600,000 first mortgage lien 4½% bonds to mature $40,000 annually from 1955 to 1994, inclusive. **Price**—At 100% of principal amount. **Proceeds**—To construct new warehouse. **Underwriter**—None.

Fallon Gas Corp., Denver, Colo.
June 25 (letter of notification) 3,616,000 shares of Class A common stock. **Price**—At par (five cents per share). **Proceeds**—For drilling wells. **Office**—528 E and C Bldg., Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Fenimore Iron Mines Ltd. of Toronto
July 14 filed 1,001,896 purchase warrants to purchase a like number of shares of common "B" stock (par $1) to be issued to holders of 2,003,792 common stock purchase warrants exercisable until July 31, 1953, for the same amount of common shares, on the basis of one "B" common stock purchase warrant for each two common stock purchase warrants exercised. The "B" warrants will be exercisable at any time after Jan. 31, 1954, and be good until Aug. 1, 1955. **Price**—$1.25 per share. **Proceeds**—For field exploration and diamond drilling. **Underwriter**—None.

Fidelity Acceptance Corp., Minneapolis, Minn.
July 15 (letter of notification) 9,200 shares of class E 6% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds**—To reduce bank loans. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

Fischer's Flavor Seal, Inc., Spokane, Wash.
May 19 (letter of notification) 4,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Business**—Makes a formula for processing fresh meat. **Office**—726 Paulsen Bldg., Spokane Wash. **Underwriter**—R. L. Emacio & Co., Inc., Spokane, Wash.

General Dynamics Corp.
May 12 filed 250,000 shares of common stock (par $3). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans made to acquire a block of 400,000 shares of Consolidated Vultee Aircraft Corp. **Underwriter**—Lehman Brothers, New York, to handle U. S. sales of shares, while Greenshields & Co., Inc., will handle Canadian distribution of a portion of the offering. **Offering**—Temporarily postponed.

Georgia RR. & Banking Co.
June 17 filed certificates of deposit for 42,000 shares of common stock. It is planned to vote on a voluntary plan of adjustment under which it is planned to segregate the business of the Georgia RR. Bank & Trust Co. and the railroad business and to place the company in a position where it can obtain additional funds in the near future. See also First Railroad & Banking Co. of Georgia under "Prospective Offerings" below.

Grand Bahama Co., Ltd., Nassau
Feb. 3 filed $1,350,000 20-year 6% first mortgage convertible debentures due March, 1973, and 1,565,000 shares of class A stock (par 10 cents). **Price**—Par for debentures and $1 per share for stock. **Proceeds** — For new construction. **Business** — Hotel and land development. **Underwriter**—Gearhart & Otis, Inc., New York.

Gray Manufacturing Co., Hartford, Conn.
May 1 filed 55,313 shares of capital stock (par $5) to be offered for subscription by stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter** — None. **Offering** — No definite plan adopted.

Great International Development Corp.
July 6 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For drilling expenses and working capital. **Office**—Suite 1514, 50 Broad St., New York, N. Y. **Underwriter**—Baruch & Co., Inc., New York, N. Y.

★ **Grizzly Gold Mining Co., Spokane, Wash.**
July 17 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—7½ cents per share. **Proceeds**—For equipment and working capital. **Office**—725 Paulsen Bldg., Spokane, Wash. **Underwriter**—None.

Hartford Special Machinery Co.
June 1 (letter of notification) 7,500 shares of common stock to be offered for subscription by present stockholders. **Price**—At par ($20 per share). **Proceeds**—To purchase equipment and for working capital. **Office**—287 Homstead Ave., Hartford, Conn. **Underwriter**—None.

Hotel Drake Corp., New York
June 12 filed 13,573 shares of capital stock (par $5) and $339,325 of 4% 10-year cumulative income debentures due Aug. 1, 1963, to be offered for subscription by stockholders in units of one share of stock and a $25 debenture (with an oversubscription privilege). **Price** — $30 per unit. **Proceeds**—To repay $300,000 bank debt and for working capital. **Underwriter**—None.

Hunter Creek Mining Co., Wallace, Idaho
June 2 (letter of notification) 160,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For operating capital. **Office** — 509 Bank St., Wallace, Idaho. **Underwriter**—Mine Financing, Inc., Spokane, Wash.

Inland Western Loan & Finance Corp., Phoenix, Ariz.
July 2 filed 2,500,000 shares of class A non-voting common stock (par $1) to be offered to present and future holders of Special Participating Life Insurance Contracts issued by Commercial Life Insurance Co. of Phoenix. **Price**—$1.50 per share. **Proceeds** — To develop and expand company's loan and finance business. **Underwriter**—None. An additional 300,000 shares have been and are being offered for sale in Arizona at $1 per share to holders of Commercial's special participating contracts, the proceeds of which are to be used to activate the company in the loan and finance business.

★ **International Industries & Developments, Inc.**
July 20 (letter of notification) 35,000 shares of common stock (par 10 cents). **Price**—$1.37½ per share. **Proceeds**—For working capital. **Office**—79 Wall St., New York, N. Y. **Underwriter**—George B. Wallace & Co., N. Y.

International Telephone & Telegraph Co.
June 26 filed $35,883,300 of 20-year convertible debentures due Aug. 1, 1973, to be offered for subscription by stockholders at rate of $100 of debentures for each 20 shares of capital stock held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for other corporate purposes. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Indefinitely postponed.

Ionics, Inc., Cambridge, Mass.
June 30 filed 131,784 shares of common stock (par $1). **Price**—To be supplied by amendment (between $8 and $9 per share). **Proceeds**—To pay mortgage debt and for equipment. **Business** — Research and development and subsequent commercial exploitation in the field of ion exchange chemistry. **Underwriter**—Lee Higginson Corp., New York and Boston (Mass.). **Offering**—Postponed until some time in September.

Junction City (Kan.) Telephone Co.
March 3 (letter of notification) $206,000 of 4½% first mortgage bonds, series A, due Feb. 1, 1977. **Price**—100% and accrued interest. **Proceeds**—For general corporate purposes. **Underwriter**—Wachob-Bender Corp., Omaha, Nebraska.

Keystone Helicopter Corp., Phila., Pa.
April 23 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase helicopter and equipment and for working capital. **Office**—Land Title Bldg., Philadelphia, Pa. **Underwriter**—None.

Liquor Register, Inc., Roslindale, Mass.
July 3 (letter of notification) 2,100 shares of common stock (par $5). **Price**—$16.50 per share. **Proceeds**—For working capital for device to dispense and record drinks. **Office**—596 Poplar St., Roslindale, Mass. **Underwriter**—Coburn & Middlebrook, Inc., Boston, Mass.

Lone Star Sulphur Corp., Wilmington, Del.
May 8 filed 600,000 shares of common stock (par 5 cents) to be offered for subscription by common stockholders of record May 8 on a share-for-share basis "as a speculation." **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—None.

★ **Lorain County Radio Corp., Lorain, Ohio**
July 27 (letter of notification) 1,250 shares of common stock (no par). **Price**—$40 per share. **Proceeds**—For expansion costs. **Office**—203 W. 9th St., Lorain, O. **Underwriter**—None.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. **Telephone** WHitehall 3-2181. **Offering**—Date indefinite.

McWilliams Dredging Co., New Orleans, La.
July 15 (letter of notification) 3,800 shares of common stock (par $10). **Price** — At market (approximately $12.62½ per share). **Proceeds**—To a selling stockholder. **Underwriter**—Bacon, Whipple & Co., Chicago, Ill.

Miami Window Corp., Miami, Fla.
July 9 (letter of notification) 150,000 shares of preferred stock. **Price**—At par ($2 per share). **Proceeds**—To liquidate obligations and for payment of current accounts and working capital. **Office**—5200 N. W. 37th Ave., Miami, Fla. **Underwriter**—Atwill & Co., Miami Beach, Florida.

Michigan Consolidated Gas Co.
May 15 filed $20,000,000 of first mortgage bonds due 1978. **Proceeds**—From sale of bonds, plus proceeds from sale of 215,000 shares of common stock (par $14) to American Natural Gas Co., parent, for $3,010,000, to be used to repay bank loans and for construction program. **Bids**—A group headed jointly by Halsey, Stuart & Co., Inc., Harriman Ripley & Co., Inc. and Union Securities Corp. entered the only bid on June 15 for the securities—100.125 for 5s. This bid was rejected. Reoffering had been planned at 101.875 to yield 4.87%. July 6 company sought SEC authority to borrow $20,000,000 from banks on 3¼% notes pending permanent financing.

★ **Mr. Petroleum, Inc., Denver, Colo.**
July 27 (letter of notification) 500 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For operating costs. **Business** — Publisher of oilmen's magazine. **Office**—1717 East Colfax Ave., Denver, Colo. **Underwriter**—None.

Muntz TV Inc., Chicago, Ill.
June 19 (letter of notification) 12,000 shares of common stock (par $1). **Price**—At market (about $3.25 per share). **Proceeds**—To Earl W. Muntz, President. **Underwriter**—L. D. Sherman & Co., New York.

Northland Oils Ltd., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20¢ — Canadian) and subscription warrants for 600,000 shares, which statement was amended May 20 to 200,000 shares and warrants to purchase 200,000 shares to be offered in units of one share of stock and one warrant. **Price**—75 cents per unit. **Proceeds**—For drilling of additional wells and to purchase producing wells. **Underwriter**—M. S. Gerber, Inc., New York.

★ **Oakite Products, Inc.**
July 22 (letter of notification) approximately 23,760 shares, but not in excess of 24,000 shares (par $5) to be offered to employees. **Price**—$11.88 per share in cash or $10.63 in instalments. **Proceeds**—For working capital. **Office**—19 Rector St., New York 6, N. Y. **Underwriter**—None.

Oil Finance Corp., Warren, Pa.
July 16 (letter of notification) 1,250,000 shares of common stock (par 1 cent). **Price**—At the market (about 4 cents per share). **Proceeds**—To Anderson Oil Co., the selling stockholder. **Office**—217 Hickory St., Warren, Pa. **Underwriter**—None.

Overland Oil, Inc., Denver, Colo.
June 10 filed 600,000 shares of common stock (par 10¢) to be offered for subscription by stockholders (except the original incorporators) at rate of one new share for each two shares held. **Price**—40 cents per share. **Proceeds**—For working capital. **Underwriter**—None.

Palestine Economic Corp., New York
March 6 filed 100,000 shares of common stock (par $25). **Price**—$28 per share. **Proceeds** — For development of Israel industry, etc., and for working capital. **Underwriter**—None.

● **Pecos Exploration Co., Dallas, Tex.**
June 17 filed 1,725,000 shares of common stock (par 5¢), of which 1,150,000 shares are being offered for subscription by stockholders of Leon Land & Cattle Co. on the basis of one Pecos share for each Leon share held as of July 20 (with an oversubscription privilege); rights to expire Aug. 5, and up to 575,000 shares are to be distributed as a property dividend on the basis of one-half share of Pecos stock for each Leon share held on July 20. **Price**—33 cents per share. **Proceeds**—For drilling expenses, etc. **Underwriter** — None, but Beer & Co., of Atlanta (Ga.), New Orleans (La.) and Dallas (Tex.) will solicit the exercise of warrants.

Pedlow-Nease Chemical Co., Inc.
July 9 (letter of notification) 2,000 shares of capital stock (no par) to be offered to stockholders of record June 29 at rate of one new share for each five shares held. **Price**—$10 per share. **Proceeds**—For working capital. **Office**—Lock Haven, Pa. **Underwriter**—None.

Penn Fruit Co., Inc., Philadelphia, Pa. (8/3-4)
July 15 filed 40,000 shares of cumulative convertible preferred stock (par $50). **Price** — To be supplied by amendment. **Proceeds** — For development program and working capital. **Underwriter**—Hemphill, Noyes & Co., New York.

Phillips Petroleum Co.
June 11 filed $25,000,000 of participation in the company's Thrift Plan and 444,444 shares of its common stock purchasable under the plan on the open market at current market prices. It is contemplated plan will be placed in effect on or about Aug. 1, 1953.

Powdercraft Corp., Spartanburg, S. C.
June 3 (letter of notification) 5,000 shares of capital stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Business**—Makes machine parts. **Office** 746 Hayne St., Spartanburg, S. C. **Underwriter**—Calhoun & Co., Spartanburg, S. C.

Providence Park, Inc., New Orleans, La.
July 7 (letter of notification) 33,333 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To develop and improve property for cemetery. **Office**—516 Carondelet Bldg., New Orleans, La. **Underwriter**—Woolfolk & Shober, New Orleans, La.

★ **Reddy Beverages, Inc., San Francisco, Calif.**
July 24 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital. **Underwriter**—None.

Ridley Mines Holding Co., Grafton, N. D.
June 1 filed 120,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds** — For working capital. **Underwriter**—None.

★ **Russell Reinforced Plastics Corp.**
July 17 (letter of notification) 20,000 shares of class B common stock (par 5 cents). **Price**—$2.50 per share. **Proceeds** — For working capital. **Office** — Lindenhurst, L. I., N. Y. **Underwriter**—Aetna Securities Corp., N. Y.

Saint Anne's Oil Production Co.
April 23 filed 270,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — To acquire stock of Neb-Tex Oil Co., to pay loans and for working capital. **Office**—Northwood, Iowa. **Underwriter**—Sills, Fairman & Harris of Chicago, Ill. **Offering** — Expected today (July 23).

Schlafly Nolan Oil Co., Inc.
March 25 filed 150,000 shares of common stock (par 25¢). **Price**—$4 per share. **Proceeds**—To purchase and sell leaseholds, royalties and producing properties, to prospect for oil and gas and to develop and operate producing properties. **Office**—Mt. Vernon, Ill. **Underwriter**—L. H. Rothchild & Co., New York. **Offering**—Indefintely postponed.

Scillitoe (Edgar L.), Inc. (N. Y.
May 25 (letter of notification) 298,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**

—To acquire plant, machinery and equipment; and for working capital. **Office**—10-15 Spruce St., New York. **Business** — Manufacturer of electronic and electro-mechanical devices. **Underwriter** — Nielsen & Co., New York, N. Y. **Offering**—Temporarily postponed.

★ Silex Co., Hartford, Conn.
July 24 filed 201,563 shares of common stock (par $1) to be offered for subscription by common stockholders on a one-for-one basis; rights to 67,187 shares had previously been waived. **Price**—To be supplied by amendment. **Proceeds**—To redeem 75% of outstanding 5½% convertible debentures. **Underwriter**—None.

★ Silver Buckle Mining Co., Wallace, Idaho
July 20 (letter of notification) 500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To develop property. **Address**—P. O. Box 1088, Wallace, Idaho. **Underwriter**—None.

★ Southern California Edison Co. (8/25)
July 27 filed $30,000,000 of first and refunding mortgage bonds, series E, due 1978. **Proceeds**—For 1953 construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. **Bids**—Expected to be received about Aug. 25.

Southeastern Fund, Columbia, S. C.
June 26 (letter of notification) 116,016 shares of common stock (par $1) to be offered to stockholders through transferable warrants; unsubscribed shares to be offered to public. **Price** — To stockholders, $2.15 per share; to public, $2.37½ per share. **Proceeds**—For working capital. **Office**—Palmetto State Life Bldg., Columbia, S. C. **Underwriter**—None.

Southern Bell Telephone & Telegraph Co.
April 9 filed $30,000,000 of 24-year debentures due May 1, 1977. **Proceeds** — To repay advances from American Telephone & Telegraph Co., the parent. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. **Bids**—Received on May 5 but rejected.

★ Spectrum Arts, Inc., New York
July 22 (letter of notification) 300 shares of preferred stock. **Price**—At par ($100 per share). **Proceeds**—For acquisition and production of screen plays. **Office**—120 W. 138th St., New York. **Underwriter**—None.

State Loan & Finance Corp. (8/11)
July 14 filed $2,750,000 of 5% 7-year sinking fund subordinated debentures due April 1, 1960. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

★ Stemac, Inc., Denver, Colo.
July 21 (letter of notification) $200,000 of 10-year 6% convertible debentures due July 30, 1963 (convertible on basis of one share for each $100 of debentures). **Proceeds** — For machinery and equipment. **Office** — 1277 Cherokee St., Denver, Colo. **Underwriter**—None.

● Sun Valley Mining Co., Jerome, Ida. (8/3-4)
Aug. 9 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For acquisition of mill and working capital. **Offices** — 150 Broadway, New York, and 136 Locust St., Jerome, Ida. **Underwriter**—Miller Securities Co., New York.

● Technograph Printed Electronics Inc.
June 26 (letter of notification) 99,906.2 shares of common stock (par 40 cents) being offered to common stockholders of record July 13, 1953 on a basis of one new share for each two shares held; rights to expire March 3, 1955. **Price**—$3 per share. **Proceeds**—For licensing activities and improving patent position and for working capital. **Office** — 191 Main St., Tarrytown, N. Y. **Underwriter**—None.

Texas International Sulphur Co. (8/10)
June 29 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance cost of drilling test wells of sulphur reserves. **Office**—Houston, Tex. **Underwriter**—Vickers Brothers, New York.

Texota Oil Co., Fort Worth, Tex.
June 21 filed 250,000 shares of common stock (par 1¢). **Price**—$5 per share. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter** — Piper, Jaffray & Hopwood, Minneapolis, Minn. **Offering**—Expected in August.

Textron Incorporated, Providence, R. I.
June 25 filed 4,930 shares of 4% preferred stock, series A (par $100) to be offered in exchange for the 19,719 shares of 5% cumulative preferred stock, series A (par $25) of Textron Puerto Rico, a subsidiary, on a one-for-four basis. Offer to expire Sept. 30, 1953.

Tyte Products Corp., Westboro, Mass.
July 15 (letter of notification) 145,000 shares of class A common stock (par $1) (with detachable warrants for 145,000 shares). **Price**—$2 per share. **Proceeds**—For land, buildings, machinery and equipment for manufacture of paper containers. **Office**—9 Grove St., Westboro, Mass. **Underwriter**—Armington & Co., Boston, Mass.

● United Gas Corp., Shreveport, La.
June 26 filed 1,171,863 shares of common stock (par $10) being offered for subscription by common stockholders at the rate of one new share for each 10 shares held as of record July 23 (with an oversubscription privilege); rights to expire on Aug. 14. **Price**—$21 per share. **Proceeds**—For repayment of bank loans and for new construction. **Underwriter**—None.

United Mining & Leasing Corp. Central City, Colo.
May 4 (letter of notification) 115,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining equipment. **Underwriter** — R. L. Hughes & Co., Denver, Colo.

U. S. Airlines, Inc., New York
May 28 filed 1,000,000 shares of common stock (par 5 cents). **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriter**—Gearhart & Otis, Inc., New York.

United States Radium Corp.
July 17 (letter of notification) 10,603 shares of common stock (par $2) to be offered for subscription by stockholders of record July 28 on the basis of one new share for each six shares held. Rights will expire Aug. 17. Unsubscribed shares will be offered to officers and employees for a 30-day period. **Price** — $8.50 per share. **Proceeds**—To reimburse treasury in connection with redemption July 1 of 821 shares of $7 first preferred stock. **Office**—535 Pearl St., New York, N. Y. **Underwriter**—None.

★ Universal Finance Corp., Los Angeles, Calif.
July 27 (letter of notification) 12,000 shares of 6% cumulative preferred stock. **Price** — At par ($25 per share). **Proceeds**—For working capital. **Office**—3460 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—None.

Vault Co. of America, Davenport, Iowa
March 2 (letter of notification) 10,000 shares of common stock. **Price** — $10 per share. **Proceeds** — For working capital. **Underwriter**—A. J. Boldt & Co., Davenport, Ia.

Walburt Oils Ltd., Toronto, Canada
April 24 filed 660,000 shares of common stock (par $1) of which 550,000 shares will be offered in the United States and 110,000 shares in Canada. **Price** — $1.02 per share in U. S. and $1 per share in Canada. **Proceeds**—For general corporate purposes. **Underwriier**—Sidney S. Walcott, President of company, Buffalo, N. Y.

● Wallace (William) Co., Belmont, Calif. (7/31)
July 7 (letter of notification) 12,100 shares of capital stock (par $10). **Proceeds**—For machinery and equipment. **Office**—Old Country Road, Belmont, Calif. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ Washington Mutual Investors Fund, Washington, D. C.
July 24 filed 250,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

● Washington Natural Gas Co. (8/4)
July 20 (letter of notification) 300,000 shares of common stock. **Price** — $1 per share. **Proceeds** — For working capital. **Office** — Clarksburg, W. Va. **Underwriter** — Barrett Herrick & Co., Inc., N. Y.

Washington Water Power Co.
May 7 filed 1,088,940 shares of $1.28 cumulative convertible preferred stock (par $25) and 1,088,939 shares of common stock (no par) to be issued in connection with the proposed merger into company of Puget Sound Power & Light Co. on the basis of one-half share of preferred and one-half share of common for each Puget Sound common share to holders who do not elect to receive cash at the rate of $27 per share. **Underwriter**—None.

Webb & Knapp, Inc., New York
June 29 filed 3,000,000 shares of common stock (par 10 cents), of which 100,000 shares are to be offered after effective date; the remaining 2,900,000 shares will be offered from time to time prior to July 15, 1954. **Price**—At market. **Proceeds**—To William Zeckendorf, President and selling stockholder who owns 11,567,804.7 shares. **Business**—Real estate and other interests. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

Western Safflower Corp.
April 9 (letter of notification) 240,000 shares of common stock (par 25 cents). **Price**—$1.25 per share. **Proceeds**—To construct plant. **Office**—First National Bank Bldg., Colorado Springs, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Williston Basin Oil Exploration Co.
June 17 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price**—Expected at around 30 cents per share. **Proceeds**—For working capital. **Office**—209 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—J. A. Hogle & Co., Salt Lake City.

Prospective Offerings

American Fidelity & Casualty Co. (8/20)
July 8 it was stated registration is planned around July 28 of about 100,000 shares of convertible preferred stock (par $5) to be offered for subscription by common stockholders about Aug. 20 on a share-for-share basis; with about a 14-day standby. **Price** — To be named later. **Proceeds**—For working capital. **Underwriter**—Geyer & Co., New York.

Arkansas Power & Light Co.
March 20 it was announced that company may consider refunding the outstanding 47,609 shares of $7 preferred stock (no par) and 45,891 shares of $6 preferred stock (no par), both callable at $110 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders. Blyth & Co., Inc, and Equitable Securities Corp. (jointly); W. C. Langley & Co., and The First Boston Corp. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.

Atlantic Refining Co.
March 27 it was announced that proposed debenture issue later this year will be around $60,000,000. The exact nature and timing of the financing are still to be determined. Stockholders voted May 5 to increase the authorized debt from $75,000,000 to $150,000,000. **Proceeds**—To be used to help pay for a $100,000,000 construction program for 1953. **Underwriters**—Smith, Barney & Co. may head group.

Bates Manufacturing Co.
June 25 it was reported company planned to offer and sell 750,000 additional shares of common stock. **Proceeds**—To purchase properties in the South. **Underwriters**—Probably Coffin & Burr, Inc., Boston, Mass., and The First Boston Corp., New York. **Plan Opposed**—Consolidated Textile Co., Inc., is opposing the proposed financing.

Blair Holdings Corp.
June 24 it was announced company plans to issue and sell publicly $2,000,000 of convertible debentures. **Proceeds** — For development of Stanwell Oil & Gas Ltd., newly acquired subsidiary. **Underwriters**—Blair, Rollins & Co. Inc. and The First California Co.

Central Hudson Gas & Electric Corp.
June 16 Ernest R. Acker, President, announced that company plans to offer (1) approximately 140,000 shares of common stock to stockholders at rate of one new share for each 15 shares held; (2) 20,000 shares of common stock to employees; and (3) $6,000,000 of convertible debentures to public. **Proceeds**—To pay off bank loans and for construction program. **Underwriters**—Probably Kidder, Peabody & Co. and Estabrook & Co. (jointly). **Offering**—Expected early in September.

Central Maine Power Co.
Jan. 2 it was reported company plans sale later this year of $10,000,000 common stock (in addition to $10,000,000 of 1st & gen. mtge. bonds sold March 10, 1953), after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

★ Central-Penn National Bank of Philadelphia
July 24 it was reported Bank plans to issue and sell to its stockholders an additional 124,125 shares of capital stock (par $10) to be offered on a 1-for-3 basis. **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

Central Power & Light Co.
March 2 it was reported company may issue and sell 50,000 shares of new preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler.

Columbia Gas System, Inc.
April 6 it was announced company plans to issue and sell later this year $40,000,000 of new debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

★ Consolidated Textile Co., Inc.
July 22 the directors authorized an issue of $1,000,000 5% subordinated convertible debentures due Oct. 15, 1956 to be offered exclusively to stockholders. They will be convertible into common stock at $12 per share.

Denver & Rio Grande Western RR. (8/31)
July 7 it was reported that the company proposes to sell $3,300,000 additional equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Detroit Edison Co.
March 24 it was announced company plans to issue an unspecified amount of convertible debentures due 1963 (about $55,000,000 to carry an interest rate not exceeding 4%) which may first be offered for subscription by stockholders. **Proceeds**—To retire bank loans and to meet construction costs. **Meeting**—Stockholders on April 14 authorized the new debentures. **Underwriter**—None.

● Duke Power Co. (9/1) (9/2)
July 9 company announced it plans to issue and sell $35,000,000 first and refunding mortgage bonds, due 1983, and 208,321 additional shares of common stock (the latter to stockholders of record Sept. 2, 1953, on a 1-for-20 basis); rights to expire Sept. 18. **Underwriters**—(1) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Stone & Webster Securities Corp.; The First Boston Corp. (2) For stock, no underwriters. **Proceeds**—For construction program. **Bids**—For bonds, expected to be opened on Sept. 1.

★ Duquesne Light Co. (9/15-17-22)
July 17 it was reported company is planning issuance and sale of $12,000,000 of first mortgage bonds, about 100,000 shares of preferred stock (par $50) and about 150,000 shares of common stock. **Underwriters**—May be determined by competitive bidding. Probable bidders: (1) For bonds only: Halsey, Stuart & Co. Inc.; Drexel

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& Co. and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly); Glore, Forgan & Co.; White, Weld & Co.; Harriman Ripley & Co. Inc. (2) For preferred stock: The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc. (3) For common stock: The First Boston Corp. and Lehman Brothers (jointly); Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly), Union Securities Corp. **Bids** — For common stock, expected about Sept. 15; for preferred stock about Sept. 17; and for bonds about Sept. 22.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

First Railroad & Banking Co. of Georgia
May 4 it was announced that this new company will offer stockholders of Georgia Railroad & Banking Co. in exchange for each share held, one share of the new company's stock, the right to subscribe within 30 days for 13 additional shares at $4.10 per share and a $250 collateral trust 5% bond due May 1, 1990; the offer to become effective upon acceptance by 95% of the outstanding stock. An additional 210,000 of the new shares would be purchased by the underwriters, plus any of the unsubscribed shares. **Proceeds**—To retire $2,190,000 of Georgia Railroad & Banking Co. debentures held by an insurance firm. **Underwriters**—Johnson, Lane, Space & Co. and Joseph Walker & Sons.

General Telephone Co. of Kentucky
April 27 it was reported early registration is expected of 50,000 shares of cumulative preferred stock (par $50). **Underwriters** — Probable Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Government Employees Corp., Washington, D. C.
March 18 stockholders authorized an issue of 3,000 shares of preferred stock (par $100) to carry a cumulative dividend rate not to exceed 6% annually. The management states that, under present plans, these shares will be issued as the growth of the corporation warrants.

Greenwich Gas Co.
May 7 the Connecticut P. U. Commission authorized company to issue and sell $200,000 of first mortgage bonds and $483,000 par value of common stock (the latter first to stockholders). **Proceeds**—To retire bank loans. **Underwriter**—F. L. Putman & Co., Boston, Mass.

Gulf, Mobile & Ohio RR. (8/12)
Bids are expected to be received by the company on Aug. 12 for the purchase from it of $4,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Illinois Bell Telephone Co.
July 9 company sought Illinois Commerce Commission to issue and sell 568,703 shares of capital stock (par $100) to stockholders (American Telephone & Telegraph Co., parent, owns all but about 4,000 shares of outstanding stock). **Proceeds** — To retire indebtedness to parent company. **Underwriter**—None.

• Indiana & Michigan Electric Co.
July 23 it was reported company is planning issuance and sale of $15,000,000 first mortgage bonds due 1983 and probably also $5,000,000 of preferred stock, late in September or early in October. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp.; Harriman Ripley & Co. Inc. (2) For preferred: The First Boston Corp.; Lehman Brothers; Union Securities Corp.

Kansas-Nebraska Natural Gas Co., Inc.
May 12 it was reported company may issue and sell about $4,750,000 first mortgage bonds. **Proceeds**—To repay $800,000 bank loans and for new construction. **Underwriter**—Central Republic Co., Inc., Chicago, Ill.

Long Island Lighting Co.
April 21 it was announced that company this Fall plans to issue and sell in the neighborhood of 600,000 shares of new common stock to be followed in the latter part of the year by an issue of about $25,000,000 of first mortgage bonds (this is in addition to 100,000 shares of series C preferred stock, par $100, offered publicly on May 7). **Proceeds**—To repay bank loans and for new construction. **Underwriters** — (1) For common stock, probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

Louisiana Power & Light Co. (9/15)
June 10 it was announced company expects to issue and sell in September $12,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and A. C. Allyn & Co., Inc. (jointly); Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; W. C. Langley & Co., The First Boston Corp., and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp. **Bids**—Expected to be received up to noon (EDT) on Sept. 15. **Registration**—Planned for Aug. 11.

★ Louisville & Nashville RR. (8/10)
Bids will be received by the company on Aug. 10 for the purchase from it of $7,650,000 equipment trust certificates to mature in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Prcoeeds** — To help finance a new bottling plant. **Underwriter**—None.

Menabi Exploration Co., Inc., Houston, Tex.
April 8 it was announced company plans to issue and sell $1,000,000 of convertible debentures. **Proceeds**—To finance development of oil properties in Ecuador. **Underwriter**—Kidder, Peabody & Co., New York.

Milwaukee Gas Light Co.
July 7 company sought SEC approval of a bank loan of $9,000,000 the mature Aug. 1, 1954. These borrowings, plus retained earnings, are designed to finance expansion pending formulation of permanent financing prior to maturity of notes. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co. Inc.

• Mississippi Power Co. (10/6)
July 20, L. P. Sweatt, President, announced company plans to issue and sell $4,000,000 of 30-year first mortgage bonds due 1983. **Proceeds** — For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Equitable Securities Corp. and Drexel & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The First Boston Corp. **Bids**—Expected to be submitted on Oct. 6. **Registration** Expected Sept. 4.

★ New England Gas & Electric Association
July 24 company sought SEC permission to issue and sell 194,916 shares of common stock (par $8) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held. **Price**—To be announced later. **Proceeds**—To retire bank loans. **Dealer-Manager**—The First Boston Corp. served in last common stock offering.

New York State Electric & Gas Corp.
Feb. 27 it was reported that company may, later in 1953, issue and sell $20,000,000 first mortgage bonds (following private sale of 75,000 shares of 4.40% preferred stock, par $100 in February and $5,000,000 of 3¾% debentures due 1991 in April). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.

Northern Natural Gas Co.
July 17 Harry H. Siert, Treasurer, announced that stockholders will soon vote on authorizing an issue of 750,000 shares of preferred stock, of which it is planned to issue and sell 250,000 shares (par $100) this Fall. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., handled recent common stock financing.

Northwest Natural Gas Co.
March 23 it was reported that this company plans to finance its proposed 1,300-miles pipeline from Canada to the Pacific Northwest by the issuance and sale of $66,000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and $9,000,000 of 5% debentures and 1,400,000 shares of common stock at $10 per share publicly in the United States and Canada. **Underwriter**—Morgan Stanley & Co., New York.

★ Ohio Consolidated Telephone Co.
July 23 company was authorized by Ohio P. U. Commission to issue and sell 75,000 shares of 6% cumulative preferred stock. **Price**—At par ($20 per share). **Underwriter**—The Ohio Company, Columbus, O.

Ormond Corp., Albuquerque, N. M.
March 10 it was announced company plans to register with the SEC an issue of stock, which will be offered nationally. **Office**—5003 Central Avenue, N. E., Albuquerque, N. M.

Otter Tail Power Co.
June 25 FPC authorized company to issue a maximum of $4,000,000 unsecured promissory notes to banks, the proceeds to provide funds to temporarily finance the company's 1953 and 1954 construction programs prior to arranging for long-term financing. **Underwriters**—May be Glore, Forgan & Co. and Kalman & Co.

Pacific Northwest Pipeline Corp.
Jan 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $186,000,000, including $2,000,000 for working capital. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co. (9/15)
July 2 it was announced company plans to issue and sell $50,000,000 of 31-year debentures due Sept. 15, 1984 and 1,004,603 shares of common stock at $100 per share in the ratio of one new share for each seven shares held. **Proceeds** — To repay bank loans. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly). Stock would be offered to stockholders, without underwriting. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific common shares. **Bids**—Expected about Sept. 15.

Peoples Trust Co. of Bergen County (N. J.)
June 25 stockholders approved issuance and sale to stockholders of record June 9 of 70,000 additional shares of capital stock (par $5) on the basis of seven new shares for each 20 shares held following split-up of present outstanding 40,000 $25 par shares into 200,000 $5 par shares on a 5-for-1 basis; rights to expire Aug. 14. Unsubscribed shares to be offered to public. **Price**—$15 per share. **Proceeds**—To increase capital and surplus.

Permian Basin Pipeline Co., Chicago, Ill.
Feb. 4 company filed an amended application with FPC for authority to construct a 163-mile pipeline system at an estimated cost of $40,269,000. Financing may be done privately. **Underwriters** — Stone & Webster Securities Corp. and Glore, Forgan & Co., both of New York. Of the stock of this company, 51% is now owned by Northern Natural Gas Co.

★ Petroleum Service, Inc. (Texas)
July 22 it was reported company is considering doing some financing this Fall. **Underwriters**—Probably Aetna Securities Corp., New York, and Garrett & Co., Dallas, Tex.

Pittsburgh & Lake Erie RR. (8/5)
Bids are expected to be received by the company up to noon (EDT) on Aug. 5 for the purchase from it of $3,225,000 equipment trust certificates to be dated Sept. 1, 1953, and to mature in 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• South Georgia Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing the company to construct 335 miles of pipeline in Alabama, Georgia and Florida at an estimated cost of $8,141,518. Rehearing by FPC to be held Aug. 10.

Southwestern Gas & Electric Co.
April 29 it was announced company later this year will issue and sell 50,000 shares of cumulative preferred stock (par $100). **Underwriters** — May be determined by competitive bidding. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co and Paine, Webber, Jackson & Curtis (jointly); Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Blyth & Co. Inc., and Stone & Webster Securities Corp. (jointly).

• Tennessee Gas Transmission Co.
July 20 it was reported company plans to issue and sell $20,000,000 of debentures. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Transcontinental Gas Pipe Line Corp.
May 4 it was reported company may issue some convertible preferred stock before the Fall. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

United Gas Corp.
May 1 it was announced company (in addition to abovementioned proposed stock offering) plans to issue and sell about $30,000,000 of debentures. **Proceeds**—For 1953 construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co., and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co. Inc. and Goldman Sachs & Co. (jointly). **Offering**—Expected later in 1953.

Western Massachusetts Companies
June 30, H. J. Caldwell, President, stated trustees are studying plan to issue and sell additional common stock which would provide the company's electric subsidiary with sufficient funds to retire not exceeding one-half of an $8,000,000 bank loan. A total of 978,527 no par common shares are presently outstanding. **Offering** — Expected before end of 1953, subject to market conditions. **Underwriters** — May be The First Boston Corp., New York.

Westinghouse Air Brake Co.
July 8 it was announced stockholders will on Aug. 25 vote on increasing the authorized indebtedness to not exceeding $50,000,000 at any time outstanding. Financing being considered to pay off $30,000,000 bank loans owed by Le Tourneau-Westinghouse Co., a new subsidiary, and for working capital. **Underwriter**—The First Boston Corp., New York.

Wisconsin Power & Light Co. (8/31)
July 15 it was reported company may issue and sell $8,000,000 first mortgage bonds, series G, due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co. (jointly); Union Securities Corp.; Salomon Bros. & Hutzler; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co.; Equitable Securities Corp.; The First Boston Corp. **Bids** — Tentatively expected to be received on Aug. 31.

Worcester Gas Light Co.
April 2 it was announced company has applied to the Massachusetts Department of Public Utilities for authorization to issue and sell $3,000,000 of 20-year first mortgage bonds. **Proceeds**—To retire bank loans, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co.

Our Reporter's Report

This was the dullest week of the year in the corporate underwriting field and the prospect is for more of the same in the period ahead. Aside from the usual smattering of small municipal issues there was little doing in other sections of the money market.

For the moment, as one observer put it, "there is not even an idea prevalent in underwriting circles much less a new issue." People are vacation-minded and don't seem to care. In the circumstances they are satisfied to do little or nothing in the way of trading.

Shelves are bare, except for small trading positions and such scattered orders as appear are overwhelmingly on the buying side. Those seeking bonds find it necessary to pay the market price since those holding bonds still show no inclination whatever to sell.

Scarcity, even in recent offerings, some of which were slow at the start, continues to find reflection in gradual but persistent improvement in prices in the secondary market.

As an example of what has been happening, Consumers Power Co.'s recent 3⅝s, brought out at 101¼ a fortnight ago, are now selling at 102½ and hard to find. Commonwealth Edison's recent issue, marketed at 100 and also slow at the start, is now qouted at 100¼ bid and 100⅝ asked.

Next week promises to be largely one of equity offerings as far as new issues are concerned, and the largest of these will take the form of a secondary operation.

On Monday, unless plans are revised, bankers are due to offer 120,000 shares of common of the California Water & Telephone Co. On the same day another group is slated to market 40,000 shares of convertible preferred of Penn Fruit Co.

Wednesday, bankers have on tap an issue of $5,000,000 of Atlas Plywood Corp. debentures, plus 150,000 shares of the company's common stock.

And the same day, a group is slated to offer in secondary distribution a block of 400,000 shares of stock of Dow Chemical Co. Since this stock already is outstanding the company does not stand to receive any of the proceeds.

If market conditions continue as favorable as they appear currently, it is likely that corporations will be taking a good look at things in the early fall.

Southern California Edison Co., is reported making preparations to go into registration for $30,000,000 of new bonds.

This issue, to carry a 25-year maturity, is expected to reach the bidding stage late next month, its application to the California Public Utilities Commission said. Proceeds will finance new construction.

West Coast utility companies appear to be taking the lead in setting up plans for entering the money market early in the fall. Pacific Telephone & Telegraph Co. has received the sanction of the California state agency for its proposed $150,000,000 of new financing.

This plan includes the sale of $50,000,000 of new debentures, due in 1984, which will be filed with the Securities and Exchange Commission next month and brought to market probably about mid-September.

It also plans to sell 1,004,603 shares of $100 par common in the ratio of one new share for each seven common or preferred held at a date to be set later. Since American Tel. & Tel. owns some 90% of the outstanding common, it naturally will be the major subscriber.

Position Wanted:

Assistant Trader and Order Clerk, experienced. Box 716, Commercial and Financial Chronicle, 25 Park Place, New York 7, N. Y.

DIVIDEND NOTICES

AMERICAN & FOREIGN POWER COMPANY INC.

Two Rector Street, New York 6, N. Y.

COMMON STOCK DIVIDEND

The Board of Directors of the Company at a meeting held July 24, 1953, declared a dividend of 15 cents per share on the Common Stock for payment September 10, 1953 to the stockholders of record August 10, 1953.

H. W. BALGOOYEN,
Vice President and Secretary.

July 24, 1953.

The American Tobacco Company
INCORPORATED

111 Fifth Avenue NewYork 3,N.Y.

192ND COMMON DIVIDEND

A regular dividend of Seventy-five Cents (75¢) per share has been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on September 1, 1953, to stockholders of record at the close of business August 10, 1953. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

July 28, 1953

Allied Chemical

Quarterly dividend No. 130 of Sixty Cents ($.60) per share has been declared on the Common Stock of Allied Chemical & Dye Corporation, payable September 10, 1953 to stockholders of record at the close of business August 14, 1953.

W. C. KING, *Secretary*

July 28, 1953.

BENEFICIAL LOAN CORPORATION

DIVIDEND NOTICE

Dividends have been declared by the Board of Directors, as follows:

CUMULATIVE PREFERRED STOCK

$3.25 Dividend Series of 1946
$.81¼ per share
(for quarterly period ending September 30, 1953)

COMMON STOCK
Quarterly Dividend of $.60 per share

The dividends are payable September 30, 1953 to stockholders of record at close of business September 15, 1953.

PHILIP KAPINAS
Treasurer

July 27, 1953

OVER 750 OFFICES — Beneficial Loan SYSTEM — IN U. S. AND CANADA

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

A regular quarterly dividend of forty-one cents ($.41) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable September 10, 1953, to the holders of record at the close of business August 10, 1953.

W. J. ROSE, Secretary.

July 29, 1953.

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, July 23, 1953, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable September 30, 1953, to Common stockholders of record at the close of business on September 1, 1953.

The Board also declared a dividend of one dollar nine and three-eighths cents ($1.09375) per share on the $4.375 Cumulative Preferred Stock of the Corporation, payable September 15, 1953, to Preferred stockholders of record at the close of business on September 1, 1953.

S. A. McCASKEY, JR.
Secretary

BRILLO MANUFACTURING COMPANY, INC.

Dividend No. 94

A Dividend No. 94 of Forty Cents ($.40) on the Common Stock has been declared, payable October 1, 1953 to stockholders of record September 15, 1953.

M. B. LOEB, President

Brooklyn, N. Y.

Borden's

BORDEN'S 1857

DIVIDEND No. 174

An interim dividend of sixty cents (60¢) per share has been declared on the capital stock of ***The Borden Company***, payable September 1, 1953, to stockholders of record at the close of business August 7, 1953.

E. L. NOETZEL
Treasurer

July 28, 1953

WEST INDIES SUGAR CORPORATION

60 E. 42nd Street, New York 17, N. Y.

COMMON DIVIDEND No. 32

The Board of Directors has this day declared a quarterly dividend of twenty-five cents (25¢) per share, payable on September 15, 1953 to stockholders of record, September 1, 1953.

HARRY E. GREEN, *Secretary*

July 28, 1953

HOOKER ELECTROCHEMICAL COMPANY

$4.25 Cumulative Preferred Stock Dividend

The Board of Directors of Hooker Electrochemical Company on July 22, 1953 declared a quarterly dividend of $1.0625 per share on its $4.25 Cumulative Preferred Stock, payable September 25, 1953 to stockholders of record as of the close of business September 2, 1953.

Cumulative Second Preferred Stock, Series B Dividend

The Board of Directors of Hooker Electrochemical Company on July 22, 1953 declared a quarterly dividend of $1.05 per share on its Cumulative Second Preferred Stock, Series B, payable September 25, 1953 to stockholders of record as of the close of business September 2, 1953.

Common Stock Dividend

The Board of Directors of Hooker Electrochemical Company on July 22, 1953 declared a quarterly dividend of Fifty Cents ($.50) per share on its Common Stock, payable August 28, 1953 to stockholders of record as of the close of business August 3, 1953.

ANSLEY WILCOX 2nd
Secretary

—From the Salt of the Earth— HOOKER CHEMICALS

DIVIDEND NOTICES

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of $1.00 per share and an additional dividend of 25 cents per share on the Company's capital stock, payable September 15, 1953, to stockholders of record at the close of business August 26, 1953.

E. F. VANDERSTUCKEN, JR.,
Secretary

SOUTH AMERICAN GOLD & PLATINUM COMPANY

61 Broadway, New York 6, N. Y.
July 13, 1953.

A dividend of ten (10¢) cents per share has been declared payable September 14, 1953, to stockholders of record at the close of business on August 19, 1953.

JOHN G. GREENBURGH, Treasurer.

Dennison

MANUFACTURING COMPANY
Framingham, Mass.

DIVIDEND NOTICES

Debenture: The regular quarterly dividend of $2.00 per share on the Debenture Stock will be paid Sept. 3, 1953, to stockholders of record Aug. 10, 1953.

"A" Common and Voting Common: A quarterly dividend of 30 cents per share on the "A" Common and Voting Common Stocks will be paid Sept. 3, 1953, to stockholders of record Aug. 10, 1953.

A. B. Newhall, *Treasurer*

109TH YEAR

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.
July 8, 1953

A dividend of fifty (50c) cents per share has been declared, payable September 23, 1953, to stockholders of record at the close of business September 9, 1953. The transfer books of the Company will not close.

JOHN G. GREENBURGH,
Treasurer.

NATIONAL DISTILLERS PRODUCTS CORPORATION

NATIONAL DISTILLERS

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25¢ per share on the outstanding Common Stock, payable on September 1, 1953, to stockholders of record on August 11, 1953. The transfer books will not close.

THOS. A. CLARK
Treasurer

July 23, 1953.

MERCK & CO., INC.
RAHWAY, N. J.

MERCK

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, $1.00 a share on the $4.00 convertible second preferred stock, and $1.06¼ a share on the $4.25 second preferred stock have been declared, payable on October 1, 1953 to stockholders of record at the close of business September 11, 1953.

JOHN H. GAGE,
Treasurer

July 28, 1953

DIVIDEND NOTICES

United States Pipe and Foundry Company

New York, N. Y., July 23, 1953

The Board of Directors this day declared a quarterly dividend of seventy-five cents (75¢) per share on the outstanding Common Stock of this Company, payable September 21, 1953, to stockholders of record on August 31, 1953.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary & Treasurer*

SOCONY-VACUUM OIL COMPANY
INCORPORATED

Dividend No. 170 **July 28, 1953**

The Board of Directors today declared a quarterly dividend of 50¢ per share on the outstanding capital stock of this Company, payable September 10, 1953, to stockholders of record at the close of business August 7, 1953.

W. D. BICKHAM, *Secretary*

Southern Railway Company

THE SOUTHERN SR SERVES THE SOUTH

DIVIDEND NOTICE

New York, July 28, 1953.

A dividend of Sixty-two and One-half Cents (62½¢) per share on 2,596,400 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1952, payable on September 15, 1953, to stockholders of record at the close of business on August 14, 1953.

J. J. MAHER, Secretary.

UNION CARBIDE
AND CARBON CORPORATION

UCC

A cash dividend of Fifty cents (50¢) per share on the outstanding capital stock of this Corporation has been declared, payable September 1, 1953 to stockholders of record at the close of business August 3, 1953.

KENNETH H. HANNAN,
Secretary and Treasurer

UNITED STATES LINES COMPANY

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a quarterly dividend of fifty cents ($.50) per share payable September 4, 1953, to holders of Common Stock of record August 21, 1953, who on that date hold regularly issued Common Stock ($1.00 par) of this Company.

CHAS. F. BRADLEY, *Secretary*
One Broadway, New York 4, N. Y.

WOODALL INDUSTRIES INC.

A regular quarterly dividend of 31¼¢ per share on the 5% Convertible Preferred Stock has been declared payable September 1, 1953 to stockholders of record August 14, 1953.

A regular quarterly dividend of 30¢ per share on the Common Stock has been declared payable August 31, 1953 to stockholders of record August 14, 1953.

M. E. GRIFFIN,
Secretary-Treasurer

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Inadvertently or otherwise Democrats may kick it over, but certain highly-placed G O P leaders figured they had a deal worked out which will remove the "McCarthy issue" which has divided the Republicans into those who are his violent partisans and those who are his equally violent opponents.

Under this deal Senator Joe McCarthy would begin tapering off on his exposure of commies, alleged commies, or commie sympathizers, especially those who now happen to be employed in key positions in the Eisenhower Administration. The communist-fighting job in the Senate would be turned over to the Jenner subcommittee of the Senate Judiciary Committee, the "internal security" subcommittee.

One of Mr. McCarthy's immediate targets, an important policy-making official of the Central Intelligence Agency, who was said to have been an open supporter of Gov. Stevenson during the last campaign, would as part of the arrangement quietly be given a trip to bureaucratic oblivion, after a decent interval, and following an assignment abroad to study something or other.

Meanwhile Mr. McCarthy and his staff would be assigned to hunt out two or three of the juiciest scandals of the Truman Administration, not yet uncovered. From now until either late fall or January, probably the latter, McCarthy and staff would work quietly, diligently, and silently acquiring solid evidence on these alleged scandals. They would prepare themselves for one pretty round of hearings before the Senate Investigations subcommittee of the Senate Government Operations Committee, of which Joe McCarthy is Chairman of both.

This would afford a great relief for the White House, it is said. One group of White House advisers would like to politically "slay" Joe. Another group, so far having the upper hand, says this would only please Democrats and alienate sure Republican votes.

Movie Tax Repealer Surprises

Congressional observers were truly amazed at the way the movie tax repealer slipped through the Senate. Sentiment had long been built up for it in the House Ways and Means Committee, and in the House a closed rule preventing additional tax relief was provided.

Only a couple of days before the Finance Committee also voted that the admissions tax should be removed from moving pictures, some members of that committee thought the wisest thing would be for the committee to forget it, for otherwise when the bill reached the floor the fur and the watch boys would be there making an equally good case for tax relief on their commodities.

However, when Senator William F. Knowland, the Acting Majority Leader, asked everybody to please be nice and not load it with additional amendments, everybody was good and withdrew his amendment. This was something which is "never supposed to happen," and is a tribute to the influence of the motion picture lobby.

Interpret Foreign Aid Votes

In connection with the disposition of Congress to cut foreign aid, it is noted that this is one item of expenditure which develops no clear-cut vested interest domestic group. Hence it is the one item which Congress can cut without rousing the farmers or the automobile workers, and so on.

This item incidentally, is also one which is extremely unpopular for its own sake with Congress. If Congress voted on the foreign aid appropriation by a secret ballot, so that individual members were not required to record themselves as publicly opposing the President, foreign aid would scarcely get a dime of appropriations.

Assures "New Deal"

What Congress did to the foreign aid authorization, however, as distinguished from the subsequent actual appropriation, was to assure itself that it can take a completely fresh approach toward the entire foreign aid program next year.

On the authorization bill Congress voted that after this fiscal year no new contract authorizations can be made under the existing basic foreign aid law. Payments can be made for two years more for contracts entered into before next June 30 to provide economic aid and for three years more for contracts entered into for military aid.

This has given rise to a partial misconception that Congress "has killed all new foreign aid after this year."

Literally Congress did seem to do this. However, the President has said he wants to study the entire problem afresh and modify the program. The Congressional action guarantees that even if the President does not do this, the Congress will do so, and provide a "new deal" on foreign aid.

Actually, while Congress ardently hopes to cut down the volume of foreign aid, it wants to junk the complex maze of terms which has evolved out of the Economic Cooperation Act of 1948, the military aid law of 1950, and the Mutual Security Act. It also wants to take a fresh look at the results of the spending.

Probably it will make new foreign aid appropriations available for fiscal 1955, but it wants to re-examine the whole business.

Beck Worries Many

The self-proclaimed ambition of David Beck, head of the A F of L Teamsters union, to greatly expand the scope of his union, has got very many people worried in this town. They think that Beck means to control the labor of "just about everything that moves on wheels," and if he succeeds, could become the most powerful labor leader in the United States. He is credited with having remarkable ability and energy.

FR Speaks Out

In its dignified and restrained language, the Federal Reserve Board has spoken out to give its version of why it has boosted bank reserves by about $2 billion. It explains that it is interested in stability, in the prevention of both inflation and deflation, that the growth of the economy, plus the seasonal needs of the Treasury and the seasonal needs of business, would have forced a drastic contraction in credit had it not taken these steps, and this would have been deflationary.

All this is spelled out fully in the lead article in the Board's current "Bulletin." Should the money market get the idea that the young lady of Constitution Avenue has been seduced back into an easy money program, they may be surprised some Friday afternoon after the market is closed.

No All-Out War

There have been a number of reports that if a truce, once established in Korea, is broken by the commies, that the U. S. will not merely resume the status quo, but will pitch in and fight the kind of an all-out war proposed by Generals McArthur and Van Fleet.

Qualified observers point out that this will be impossible. Under the truce the U. S. will be unable to build up its military power in Korea, whereas the Reds will be able freely to build up across the Yalu River. Furthermore, the U. S. would not contemplate a full-scale action without cooperation from UN allies, which is regarded as unlikely under any circumstances.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"The meeting won't last much longer, Mr. Squeegee—They're on the last hand now!"

Ohio Valley Electric Corporation Places Largest Single Issue

The First Boston Corp. arranges $360,000,000 bond sale. Banks take $60,000,000 in Notes.

Details of a $420,000,000 negotiated financing operation—including the largest direct placement of a single issue of securities in the history of the business—were announced today (July 30). This amount is the major portion of the estimated maximum capital requirements of $440,000,000—all undertaken by private capital—of the Ohio Valley Electric Corp.

Ohio Valley, formed by 15 private electric utility companies to supply the huge power requirements of the U. S. Atomic Energy Commission's new atomic diffusion plant near Portsmouth, Ohio, has arranged the sale of $360,000,000 of 3¾% first mortgage and collateral trust bonds, due Jan. 1, 1982, to be delivered in installments until Jan. 1, 1957. Negotiated by The First Boston Corp., the sale was made to 29 insurance companies, seven pension funds and two savings banks. The six largest participants in the loan are: Metropolitan Life Insurance Co., $125,000,000; New York Life Insurance Co., $42,000,000; Equitable Life Assurance Society of the United States, $42,000,000; The Northwestern Mutual Life Insurance Co., $20,000,000; the Mutual Life Insurance Co., of New York, $15,000,000, and John Hancock Mutual Life Insurance Co., $10,000,000.

The sale of $60,000,000 notes, bearing 4% and maturing Jan. 1, 1967, was arranged through The First National Bank of the City of New York, acting as agent for a group of 12 banks and two pension funds. The 5 largest participants in the bank loans, each supplying $10,000,000 are: The First National Bank of the City of New York; The Hanover Bank; Irving Trust Co., and manufacturers Trust Co., all of New York, and Mellon National Bank and Trust Co., Pittsburgh.

Equity capital of $20,000,000, which makes up the balance of Ohio Valley's estimated maximum capital requirements, will be supplied by the 15 sponsoring electric utility companies or the parents of some of them. The 15 companies are: Appalachian Electric Power Co., The Cincinnati Gas & Electric Co., Columbus and Southern Ohio Electric Co., The Dayton Power and Light Co., Indiana & Michigan Electric Co., Kentucky Utilities Co., Louisville Gas and Electric Co., Monongahela Power Co., Ohio Edison Co., The Ohio Power Co., Pennsylvania Power Co., The Potomac Edison Co., Southern Indiana Gas & Electric Co., The Toledo Edison Co. and West Penn Power Co.

Construction of Ohio Valley's two steam-electric generating plants, at Madison, (Ind.) and Cheshire, (Ohio) was commenced in December last year and is scheduled for completion in the latter part of 1956. The Madison station will have six 200,000-kilowatt units and the Cheshire plant five 200,000-kw units, for a combined capacity of 2,200,000 kw. AEC has contracted for 1,800,000 kw—the largest single contract for power ever entered into by a single customer in the history of the electric utility industry. When in full operation, the two power stations are expected to provide AEC a total of 15,000,000,000 kilowatthours annually.

Business Man's Bookshelf

Commentary to the Johnstone Report—Dr. George Zimmer-Lehmann — Austria Credit Anstalt, Vienna, Austria—cloth.